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IN THE

Supreme Court of the United States

OCTOBER TERM, 1932.

No. 752

SINCLAIR REFINING COMPANY,
Petitioner,

vs.

JENKINS PETROLEUM PROCESS COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

and

BRIEF IN SUPPORT THEREOF.

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IN THE

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OCTOBER TERM, 1932.

No.

SINCLAIR REFINING COMPANY,

Petitioner,

vs.

JENKINS PETROLEUM PROCESS COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Your petitioner, Sinclair Refining Company, prays that a writ of certiorari issue to review a decision and decree of the Court of Appeals for the First Circuit, entered January 3, 1933 (R., 85, 95). The decision and decree which petitioner seeks to have reviewed reversed an order of the District Court of Maine dismissing a bill in equity brought against petitioner by respondent for discovery in aid of an action at law (R., 34).

A certified transcript of the record in the case, including the proceedings in the Circuit Court of Appeals, is furnished herewith in compliance with Rule 38 of the rules of this court.

Summary Statement of the Matter Involved.

The action at law in aid of which the bill for discovery was filed is an action pending in the District Court of Maine whereby the plaintiff, Jenkins Petroleum Process Company, respondent herein, seeks to recover from the defendant, Sinclair Refining Company, petitioner herein, damages claimed to have been sustained as the result of an alleged breach of contract (R., 13).*

The suit was originally one in equity to compel specific performance of the contract. The District Court held that a case for specific performance had not been made out (32 F. [2d], 247) and dismissed the bill (R., 77). The Court of Appeals for the First Circuit affirmed the decree so far as it denied specific performance (32 F. [2d], 252), but, by its mandate (R., 77) directed the District Court to transfer the case to the law side of the court and to permit plaintiff to amend its bill into a declaration at law for breach of the contract. The declaration in the action at law was filed under the authority of that mandate.

The declaration alleges, in substance, that Sinclair Company was under a contractual obligation to cause to be assigned to Jenkins Company a certain patent application made by one Isom employed by Sinclair Company, together with the invention it was intended to protect; that Sinclair Company did not cause the application or the invenion to be so assigned; that instead, the application was caused to be assigned to Sinclair Company, to which Company the patent granted on the application was issued November 19, 1918; and that Jenkins Company sustained the damages claimed as the result of the breach so described (R., 13).

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*The contract was in the form of a letter written by the plaintiff to the defendant, and is set out in full as an appendix to the brief accompanying this petition.

Defendant, by plea, joined issue upon all the foregoing, and pleaded special defenses, including failure of performance by plaintiff, misrepresentation by plaintiff, lack of consideration, and that the Isom invention was independently made prior to knowledge of the Jenkins invention and not an improvement under the contract (Rec., pp. 15-23).

The bill for discovery has for its sole purpose the discovery in advance of trial of information alleged to be relevant only to the amount of damages recoverable in the action at law. The information sought relates exclusively to the fact, nature and extent of the use of the Isom invention *after* the grant of the patent and during a period of ten years or more *subsequent* to the alleged breach of contract.*

In the bill for discovery, it is alleged that for a period of ten years or more subsequent to November 19, 1919, Sinclair Company carried on an extensive business in the cracking of petroleum oils, operating many stills embodying the characteristic features of the Isom invention, and producing a large quantity of gasoline and other petroleum products with the invention as the basis of its production (R., 6). It is also alleged that without discovery in advance of trial of the number of stills embodying Isom's invention used by Sinclair Company during the period named, the exact nature of such stills, as shown by drawings, tracings, and blueprints in the possession of Sinclair Company, the number of barrels of gasoline and other products resulting from cracking processes involving the use of such stills, and the amount of petroleum oil charged into the stills, Jenkins

*The District Court held the alleged breach, if any there was, occurred September 10, 1917, when the application was filed and assigned to Sinclair Company by Isom (R., 29). The Court of Appeals held that the alleged breach occurred not later than November 19, 1918, the date upon which the patent granted on the application issued to Sinclair Company (R., 90, 24).

Company cannot prove its damages at the trial of the action at law with any degree of accuracy and completeness (R., 6-7). Interrogatories designed to call forth the desired information are annexed to the bill (R., 8-11).

With respect to part of the discovery sought, viz., whether Sinclair Company used stills embodying the Isom invention, the number of such stills, and their exact nature, as shown by drawings, etc., in possession of Sinclair Company, nothing is alleged in the bill to show that such information cannot be made practically available to Jenkins Company by invoking the existing legal remedies. There is only the assertion of the bare conclusion that Jenkins Company cannot prove its damages without discovery in advance of trial (R., 6, 7, 8).

With respect to the number of barrels of gasoline and other products resulting from processes involving the use of Isom stills and the amount of petroleum oil charged into such stills, it is alleged that the desired information is contained in books, records and papers in the possession of Sinclair Company and cannot be made practically available to Jenkins Company without discovery in advance of trial, for the reason that the pertinent entries and notations are so numerous and complicated and cover such large production over so long a time, as to render it impossible for Jenkins Company, its attorneys and other representatives, to make the necessary examination thereof during the trial if production of the books, records and papers at the trial were compelled by subpoena duces tecum (R., 7-8).

On motion of the defendant (R., 26), the District Court dismissed the bill (R., 34). One of the grounds assigned for the order of dismissal was that a bill in equity for discovery cannot be maintained for the sole purpose of discovering evidence which bears only upon the amount of damages recoverable by a plaintiff in an action at law (R., 32). The District Court also held

that the amount of damages recoverable by the plaintiff in the action at law must be measured by the value of the invention and patent application at the date of the alleged breach determined in the light of such relevant facts and circumstances as then existed (R., 29); that the allegations of the declaration in the action at law show that the alleged breach, if any there was, occurred September 10, 1917 (R., 29); and that the evidence sought to be discovered, since it relates to facts having no existence until after that date, is not pertinent to the amount of damage recoverable, and would be inadmissible if offered at the trial (R., 33). The objection that the Jenkins Company has a clear, plain and adequate remedy at law was not passed upon by the District Court.

On appeal, the order of the District Court was reversed by the Circuit Court of Appeals for the First Circuit which held, by a divided court, that a bill for discovery may be maintained to discover evidence relevant only to the amount of damages recoverable in an action at law (R., 86, 87); that the damages recoverable by the plaintiff in the action at law are to be measured by the money value of the application (R., 88); that a court, in determining the money value of the unpatented invention and the patent application at the date of the alleged breach of contract, may consider the commercial utility of the invention as shown by its use in the art or industry to which it relates during the period of ten or more years subsequent to the grant of the patent and to the date of the alleged breach, and may take evidence on these points up to the time of trial for the purpose of showing the inherent character and place of the invention (R., 88, 89); that the use of Isom stills by Sinclair Company during the period of ten years or more following the grant of the patent and subsequent to the date of the alleged breach of contract is therefore relevant to the value of the Isom application at the date of the alleged breach, and discovery thereof in advance

of trial may be ordered (R., 89); that the profits which Sinclair Company made by use of the Isom invention have no relevancy on the question of damages (R., 89); and, that, while evidence showing the precise extent to which Sinclair Company made use of the invention during the period of ten or more years following the grant of the patent and subsequent to the alleged breach of contract is not material on plaintiff's case in chief and no discovery of such evidence should be ordered in advance of trial, Jenkins Company would be entitled to discovery of such evidence if Sinclair Company, at the trial, should deny the utility and commercial success of the invention, and the bill should be retained so that prompt discovery could be ordered should such a situation develop (R., 89).

The Court of Appeals also held that the contract upon which the action at law is founded is to be regarded as broken only when Sinclair Company finally disabled itself from performing it; hence, upon the allegations of the bill, the breach of contract relied upon occurred November 19, 1918, the date upon which the application ceased to be an application and became merged in the patent issued to Sinclair Company on the application (R., 90, 24).

Reasons Relied on for Allowance of Writ.

The discretionary power of this Court to grant a writ of certiorari is invoked upon the following grounds:

1. The decision of the Court of Appeals for the First Circuit is in direct conflict with the decisions of the Court of Appeals for the Second Circuit in *Munger* vs. *Firestone Tire & Rubber Co.*, 261 Fed., 921 (*certiorari denied* 252 U. S., 582), and *Loose* vs. *Bellows Falls Pulp Plaster Co.*, 266 Fed., 81, both holding that a bill for

discovery cannot be maintained to discover evidence relevant only to the amount of damages recoverable in an action at law.

2. The decision of the Court of Appeals for the First Circuit is in direct conflict with the decision of the Court of Appeals for the Seventh Circuit in *Bradford* vs. *Indiana Harbor Belt R. Co.*, 300 Fed., 78, holding that no necessity for discovery exists where the desired evidence requires no preliminary sifting out or examination before trial and is readily obtainable by summoning officers or employees of the defendant to testify as witnesses at the trial and by giving notice to produce the pertinent books and papers at the trial under Section 724 of the Revised Statutes (28 U. S. Code, Sec. 636).

3. The decision of the Court of Appeals for the First Circuit that, in determining the money value of an unpatented invention and the patent application therefor, a court may consider the commercial utility of the invention as shown by its use during a period subsequent to the grant of a patent on the application and to the date of the alleged breach of contract, and may take evidence of such use up to the time of trial for the purpose of showing the inherent character and place of the invention, has decided an important question of general law in a way probably untenable and in conflict with the weight of authority.

4. The Court of Appeals for the First Circuit in deciding that the contract upon which the action at law is founded is to be regarded as broken only when the Sinclair Company finally disabled itself from performing it, in the absence of proof of repudiation brought home to Jenkins Company at an earlier date, has de-

cided an important question of general law in a way probably untenable and in conflict with the weight of authority.

Wherefore, your petitioner respectfully prays that a writ of certiorari be issued under the seal of this court directed to the United States Court of Appeals for the First Circuit, to the end that this cause may be reviewed and determined by this court; that the decree of said Circuit Court of Appeals be reversed and the decree of the United States District Court for the District of Maine be affirmed; and that petitioner may be granted such other and further relief as may seem just and proper.

DEAN S. EDMONDS,
FRANK E. BARROWS,
Counsel for Petitioner.

Dated: New York, N. Y.,
March 2, 1933.

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1932.

No.

SINCLAIR REFINING COMPANY,

Petitioner,

vs.

JENKINS PETROLEUM PROCESS COMPANY,

Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the District Court for the District of Maine, by District Judge John A. Peters, was filed February 18, 1932. It appears at page 26 of the record and is reported in 56 F. (2d), 272. The opinion of the Circuit Court of Appeals for the First Circuit (Circuit Judges Bingham, Wilson and Morton), written by Judge Morton, was filed January 3, 1933, and appears at page 85 of the record. It has not yet been reported. Judge Wilson, dissenting from the decision of the court, wrote a dissenting opinion which appears at page 90 of the record.

Jurisdiction.

The jurisdiction of this court is invoked under section 240(a) of the Judicial Code as amended by the act of February 13, 1925, c. 229 (28 U. S. Code, Sec. 347).

The decree of the Circuit Court of Appeals for the First Circuit which petitioner seeks to have reviewed was entered January 3, 1933 (R., 95).

Statement of the Case.

The essential facts of the case are stated in the accompanying petition for a writ of certiorari (*ante*, pp. 2-6), and, in the interest of brevity are not repeated here.

Specification of Errors.

The errors which the petitioner will urge, if the writ of certiorari is issued are that the Court of Appeals for the First Circuit erred:

1. In holding that a bill in equity for discovery may be maintained to discover evidence relevant only to the amount of damages recoverable in an action of law.

2. In holding that discovery in advance of trial of the action at law may be ordered of the use of Isom stills by defendant during a period of ten or more years following the grant of the patent and subsequent to the alleged breach of contract.

3. In holding that the bill for discovery ought to be retained in order that discovery may be ordered during the trial of the action at law of the extent to which Sinclair Company made use of the Isom invention

during the period of ten or more years following the grant of the patent and subsequent to the alleged breach of contract should an issue arise at the trial to which such evidence would be relevant.

4. In holding that the commercial utility of the invention as shown by the use of it in the art or industry to which it relates during the period of ten years or more following the grant of the patent and subsequent to the date of the alleged breach of contract may be considered in determining the money value, at the date of the breach, of the application and the unpatented invention it describes.

5. In not holding that the damages recoverable by the plaintiff in the action at law are to be measured by the money value of the application and the unpatented invention it describes, at the date of the alleged breach of contract, determined in the light of such relevant facts and circumstances as then existed.

6. In holding that the contract upon which the action at law is founded is to be regarded as breached only when Sinclair Company finally disabled itself from performing it, in the absence of proof of repudiation brought home to Jenkins Company at an earlier date.

7. In not holding that the contract upon which the action at law is founded is to be regarded as breached when the duty of performance, if any there was, became immediately due and was not rendered.

8. In reversing the decree of the District Court dismissing the bill for discovery.

9. In failing to affirm the decree of the District Court dismissing the bill for discovery.

Summary of Argument.

The points of argument will follow the reasons relied upon for allowance of the writ of certiorari and will be discussed in the order set out in the petition (*ante*, pp. 6-7).

ARGUMENT.

I.

The decision of the Court of Appeals for the First Circuit is in direct conflict with decisions of the Court of Appeals for the Second Circuit on the question whether a bill for discovery will lie to discover evidence relevant only to the amount of damages recoverable in an action at law.

The court below expressly recognized that its decision is in conflict with the decisions of the Court of Appeals for the Second Circuit in *Munger* vs. *Firestone Tire & Rubber Co.*, 261 Fed., 921 (certiorari denied 252 U. S., 582), and *Loose* vs. *Bellows Falls Pulp Plaster Co.*, 266 Fed., 81. Judge Morton, writing the opinion of the court, said:

> "The next point is whether such bills may be brought to obtain evidence relevant only on the amount of damages. In *Munger* vs. *Firestone Co.*, 261 Fed., 921 (C. C. A., 2), and *Loose* vs. *Bellows*, 266 F. R., 81 (C. C. A., 2), it was decided that bills for discovery could be used only to obtain facts bearing on the 'issues,' i. e., on questions of liability, and not to obtain evidence of damage" (R., 86).

Judge Morton then called attention to cases decided in lower federal courts, in state courts, and in England,

upon which the court rested its belief that the English law and the weight of American decisions supported the opposite view, and concluded his discussion of the question by saying:

> "We are not impressed by the distinction,—for which no authority is cited,—between *'issues'* and questions of fact, made in the Munger case" (R., 87).

Judge Wilson, in his dissenting opinion, said:

> "The only cases in which the issue of whether a bill for discovery was proper to obtain evidence solely on the question of damages was clearly before the court are: *Munger* vs. *Firestone Tire & Rubber Co.*, 261 Fed., 921, and *Loose, et al.*, vs. *Bellows Falls Pulp Plaster Co., et al.*, 266 Fed., 81. In each of these cases the Circuit Court of Appeals for the Second Circuit refused to sustain such a bill, and in the Munger case a writ of certiorari was denied by the Supreme Court, 252 U. S., 582" (R., 91).
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> * * * * * *
>
> "While there may be cases in the several states holding to the contrary under state statutes or codes, and statements of text writers based on such cases, the only authoritative federal decisions we have on the precise question here involved hold that a bill of discovery will not lie to obtain evidence solely on the question of damages. It was a clear-cut issue in the Munger case, and the Supreme Court refused to disturb the ruling of the Circuit Court of Appeals" (R., 92).

In the *Munger* case, the Court of Appeals for the Second Circuit, holding that discovery will not lie to

discover evidence bearing only on the question of damages, dismissed a bill for discovery in aid of an action at law for patent infringement by which it was sought to require the defendant to disclose in advance of trial the number of sales made of the alleged infringing article and the profits made thereon.

In the *Loose* case, the Court of Appeals for the Second Circuit held that a bill for discovery would not lie to require a licensee under a patent license agreement to disclose the quantity of licensed material made and sold by it. The court said, at page 83: "Equity will not aid law to ascertain damages by entertaining a bill for discovery," citing the Munger case, "A fortiori will it not retain a bill when the discovery desired has no other purpose than the liquidation of damages."

The question upon which the conflict exists is, as petitioner believes, an important one, which has not been, but should be passed upon by this court.

II.

The decision of the Court of Appeals for the First Circuit is in direct conflict with a decision of the Court of Appeals for the Seventh Circuit on the question of what constitutes a sufficient showing of necessity for discovery in aid of an action at law.

The Court of Appeals for the Seventh Circuit, in *Bradford* vs. *Indiana Harbor Belt R. Co.*, 300 Fed., 78, sustained the action of the District Court in dismissing on motion a bill in equity for discovery in aid of an action at law for damages sustained as the result of defendant's conduct in operating cars and locomotives over tracks and land belonging to plaintiff. The bill for discovery alleged that the extent defendant used the property and the amount it charged and received there-

for was a material issue in the action at law, that defendant kept books and had papers and documents showing these facts, and that complainant had no means of ascertaining such facts except through answers to the interrogatories appended to the bill. The Court of Appeals based its affirmance of the action of the lower court upon the ground that "If the ascertainment of these facts is simple, and does not involve complex and voluminous accounts, it may well be that the ordinary processes would be sufficient for appellant, and that the extraordinary relief by discovery in equity was entirely unnecessary and properly denied," and that, in any event, "it is not to be presumed that the district court would deprive him of reasonable opportunity to examine them before the trial was concluded," if defendant required production at the trial of the books and papers showing the facts under section 724 of the Revised Statutes.

The general principles upon which the Court of Appeals for the Seventh Circuit based its decision, are well understood and accord with the dicta in *Ex parte Boyd*, 105 U. S., 647; *Brown* vs. *Swann*, 10 Peters, 497; *United States* vs. *Bitter Root Development Co.*, 200 U. S., 451; and *Carpenter* vs. *Winn*, 221 U. S., 533, 539.

The court below expressly recognized these general principles, using the following language (R., 86):

> "It devolves upon the party filing such a bill to show that there is real need of it, and that the desired evidence cannot be obtained in a practically useful way under section 724."

The conflict between the decision of the court below and the decision of the Court of Appeals for the Seventh Circuit in the *Bradford* case arises out of a difference of opinion as to when the requirement of a showing of necessity for discovery has been met.

The Court of Appeals for the Seventh Circuit in the *Bradford* case held that such necessity was not shown where the desired evidence requires no preliminary sifting out or examination before trial to make it fully available and is readily obtainable by summoning officers or employees of the defendant to testify as witnesses at the trial and by giving notice to defendant under section 724 of the Revised Statutes to produce the pertinent books and papers at the trial.

In the instant case, the only evidence which the court below held could be discovered in advance of trial of the action at law relates to the use of Isom stills by the defendant. There are no allegations in the bill showing that examination of such evidence in advance of trial is necessary or that it is not readily obtainable by resort to the means available at law.

The allegations of the bill with respect to such evidence amount to no more than an assertion of the bare conclusion that complainant cannot prove its damages without discovery in advance of trial (R., 6, 7, 8).

And, as pointed out by Judge Wilson in his dissenting opinion, there is nothing in the nature or character of the evidence which requires discovery in advance of trial to render it available and useful to complainant. On this point Judge Wilson said (R., 92, 93):

> "Certainly the power of the plaintiff to summon as witnesses the officers or employees of the defendant having knowledge of the number of cracking stills operated by the defendant, with all plans and blueprints of the same, would give the plaintiff all the evidence held in the opinion to be admissible in this case, and required for opinion evidence as to the value of the application for a patent, or of the patent itself. Inasmuch as the plaintiff in this case

cannot recover damages on the basis of royalties or profits gained by the use of the patent in issue, the need for preliminary examination of evidence admissible under the opinion of the court is not clear."

With respect to the number of barrels of gasoline produced by defendant using Isom stills and the amount of gasoline charged into them, the bill does allege that it would be impossible for complainant to make the necessary examination of the numerous entries relating thereto if production of the pertinent books and records at the trial were compelled by subpoena duces tecum (R., 7, 8). But the court below held that discovery of this evidence could not be ordered in advance of trial for the reason that it is not relevant to any issue now existing (R., 89), merely directing that the bill should be retained so that discovery could be ordered at the trial if an issue should be created during the trial to which the evidence would be relevant. Not only is retention of the bill for that purpose without precedent, as Judge Wilson pointed out in his dissenting opinion (R., 94), but it has no foundation in necessity, since officers and employees of defendant may be summoned as witnesses at the trial, and under the express provisions of section 724 of the Revised Statutes (28 U. S. Code, Sec. 636) production at the trial of books and records in possession of a party, which contain pertinent evidence, may be compelled "in cases and under circumstances where they might be compelled to produce the same by the ordinary rules of proceeding in chancery."

The question upon which the conflict of opinion exists is, as petitioner believes, an important one, frequently arising in Federal courts,* with respect to which differ-

*See *Galion Iron Works Co.* vs. *Ohio Corrugated Culvert Co.*, 244 Fed., 427, C. C. A., 6; *Pressed Steel Car Co.* vs. *Union Pac. R. Co.*, 240 Fed., 135, D. C., S. D., N. Y.; *Childs* vs. *Missouri, K. & T. Ry. Co.*, 221 Fed., 219, and *Safford* vs. *Ensign Mfg. Co.*, 120 Fed., 480.

ent opinions have been held regarding the expressed views of this court (see *Galion Iron Wks. Co.* vs. *Ohio Corrugated Culvert Co.*, 244 Fed., 427, 429).

III.

The Court of Appeals for the First Circuit, in deciding that a court, in determining the money value of the unpatented invention and the patent application at the date of the alleged breach of contract, may consider the commercial utility of the invention as shown by its use during a period subsequent to the grant of the patent and to the date of the alleged breach, has decided an important question of general law in a way probably untenable and in conflict with the weight of authority.

Specific performance of the contract upon which the action at law is founded having been denied and the plaintiff remitted to an action at law for damages occasioned by the alleged breach (see statement of facts, *ante*, p. 2), and the breach assigned being the failure of defendant to cause the patent application and the unpatented invention to be assigned to plaintiff (see statement of facts, *ante*, p. 2), it follows that the compensation plaintiff may recover is limited to the money value of the patent application and the unpatented invention at the date of the alleged breach (*Kennedy* vs. *Hazelton*, 128 U. S., 667, 672; *Shepherd* vs. *Hampton*, 3 Wheat., 200, 204; *Hopkins* vs. *Lee*, 6 Wheat., 109, 118; *Effinger* vs. *Kennedy*, 115 U. S., 566, 575; *Clark* vs. *Belt*, 223 Fed., 573, 578, C. C. A., 8).

The court below did not question this fundamental proposition, but, following an assertion that "an application for a patent, being a thing *sui generis*, has no 'market' value in the strict use of that term," held

that a court, in determining the money value of the invention described in the application, may take into consideration facts which had no existence until years after the patent issued on the application and years after the alleged breach of contract occurred. This decision, as petitioner believes, is untenable and in conflict with the weight of authority.

The value of an invention, or a patent, or a patent application and the unpatented invention which it described, is such that it may be of great value at one time and utterly worthless at another time (*Alpha Portland Cement Co.* vs. *Schratweiser,* 221 Fed., 258, 259). The frequency with which a discovery is superseded so that it becomes of little or no value, as well as the frequency with which discoveries that had little or no value when made become exceedingly valuable as the result of some unforeseen development, is well understood.

The value of any such property depends entirely upon how matters stood at the date with respect to which it is valued, and a court, in determining the value thereof as of any given date, should solve the question in the light of facts and conditions as they then existed, and not in the light of facts and circumstances which came into existence years later. This is not to disregard the future, but the future must be forecast in the light of things presently known, and carry the hazard of uncertainty which attends all prophecies with respect to future value, rather than the certainty which evidence of subsequent events would permit.

The value which the Isom application and the invention which it described had in the light of facts known or foreseeable at the date the application was made, or the date the patent was granted, or the date upon which the alleged breach of contract occurred is one thing, the value which they had in the light of utilization of

the invention by Sinclair Company during the period of ten years or more thereafter is another thing, and between the two there is no demonstrable relation. The Isom invention relates to the art of oil cracking, and the changing commercial conditions which have existed in that art during the ten year period to which the bill for discovery relates will be evident to this court from its consideration of *U. S.* vs. *Standard Oil Co.*, 283 U. S., 183.

The fact that a patent application has no "market" value in the strict use of that term, as asserted by the court below, does not open the door to evidence of subsequent commercial utility. Unpatented inventions and patent applications, like mining "prospects" (*Montana R. Co.* vs. *Warren,* 137 U. S., 348, 352) are the constant subject of sale, and, while "market" value cannot be established by reference to contemporaneous sales of like property, it may be established in the same way as the market value of other property (*Standard Oil Co.* vs. *So. Pac. Co.,* 268 U. S., 146; *Brooks-Scanlon Corp.* vs. *United States,* 265 U. S., 106), as the sum which, considering all the circumstances, in all probability could have been obtained for the property on the date of the breach as the result of fair negotiations between an owner willing to sell and a purchaser willing to buy.

What was known about the commercial utility of the patent in 1930, for example, does not show the conditions which would have influenced a willing purchaser and a willing buyer in 1918. To show the inherent character and place of the invention at the date of the breach by evidence of subsequent use of it in the art or industry is to invest the fictitious willing buyer and willing seller with wisdom after the event.

The decision of the court below on the point under consideration is, as petitioner believes, in direct conflict with the weight of authority as represented by cases to which the attention of the court is now directed.

In *Pabst Brewing Co.* vs. *E. Clemens Horst Co.*, 229 Fed., 913 (C. C. A., 9), the Court said:

> "It must be self-evident that a sale of hops made on July 9th is no evidence whatever of market value six or eight months previously, especially in view of the testimony on the part of the Horst Company that the price of hops declined rapidly after November 4th, the date of the cancellation of the contract" (p. 919).

In *Mandelbaum* vs. *Goodyear*, 6 F. (2d), 818, 824, evidence was offered in the trial court of the financial condition of the company in October, 1920, to show the falsity of statements as to the financial condition of the Company in April, 1920, some six months prior. This evidence was excluded by the trial court and its exclusion approved by the Court of Appeals for the Eighth Circuit as furnishing no safe guide for the jury in determining the condition of the company at the earlier date.

In that case also the trial court refused to admit quotations of Goodyear stock for a period from December 11, 1920 to October 31, 1921, as furnishing no index of the value of that stock at the time plaintiff purchased it in July, 1920, and this ruling was also approved by the Court of Appeals for the Eighth Circuit.

In *Pitman* vs. *Ball*, 140 Mo. App., 389, 124 S. W., 1082, it was held that the actual value of a mining lease was not shown by evidence of what a subsequent lease on the same tract brought on a sale four or five years later. The evidence offered was objected to on the ground that the time was too remote from the time of the organization of the corporation, and had no tendency to show the actual value of the property at the time the corporation

was organized. The objection was sustained by the trial court, and affirmed by the Court of Appeals.

In *State* vs. *Buckley*, 98 Wash., 379, 167 Pac., 1087, the Supreme Court of Washington held that a government price list of supplies issued in 1913 was not proper evidence of the value of supplies furnished prior to that time.

In *Burgin* vs. *Marx*, 158 Ala., 633, 48 So., 348, it was held by the Supreme Court of Alabama that the value of property at the time of seizure, which the plaintiff was entitled to recover, could not be shown by evidence of efforts to sell the property several months after the seizure, and the evidence was held inadmissible.

In *Myers* vs. *Bender*, 46 Mont., 497, 129 Pac., 330, it was held by the Supreme Court of Montana that it was error for the trial court to admit evidence to show the value of land at a date subsequent to the date of the breach of contract.

In *People* vs. *Barker*, 121 App. Div., 661, 106 N. Y. S., 336, affirmed 200 N. Y., 509, 93 N. E., 378, it was held that actual results of a lease ascertained years after the date of the lease were not competent evidence of the value of the lease at its date. The Court said:

> "* * * nor do I think the actual results ascertained years after this date were competent evidence as to the value of the property on the second Monday of January, 1897. The question had to be determined as to the actual value of the interest of the lessee company in these leases at that date, and whether the value was greater or less several years afterwards has no relation as to the value of the leases at the date at which it was to be ascertained and assessed against this relator."

In *Bowden* vs. *Achor*, 95 Ga., 243, 22 S. E., 254, action was brought to set aside a deed on the ground of in-

adequacy of the purchase price. It was held that evidence of the value of the land at the time of the trial, which occurred years later, was irrelevant.

In *Sequin* vs. *Plano*, 295 Pac., 179 (1931), the Supreme Court of Washington said in discussing the evidence of value of a mining lease:

> "The actual value of a mining lease is not shown by evidence of what a subsequent lease of the same tract brought at a sale four or five years later."

The War Claims Arbiter, functioning under the Settlement of War Claims Act of 1928, in his "Administrative Decision No. 2," dealing with the bases of fair compensation for patents and patent rights seized during the World War, set forth the rules by which he would be guided as follows (pp. 54, 55):

> "BASIC RULE"
>
> "The phrase 'as nearly as may be determined' as used in the Act is but a recognition of the fact that mathematical accuracy cannot be approximated in fixing fair compensation. But, considering all of the facts in each case, the aim of the Arbiter will be to arrive at an amount as nearly as may be determined, which, in all probability, would have resulted from fair negotiation between a citizen of the United States who was willing to sell or license his patent, on the one part, and the Government of the United States which desired to buy the patent or to acquire the grant of a license, on the other part.
>
> "In arriving at this amount the Arbiter will weigh all of the relevant facts as developed in each case with a view to determining (1) what a reasonably prudent and experienced person, duly authorized to

represent the Government, would have been willing to pay at the pertinent time, in the light of all of the *then* existing relevant facts and circumstances, and (2) what a reasonably prudent citizen of the United States would at that time have been willing to accept for the patent, license, or use in question in the light of the *then* existing relevant facts and circumstances, and (3) the amount which would have been arrived at as the result of such bargaining.

"In reaching this amount neither the value to the owner of the patent nor the value to the United States alone will control. Both will be considered; and it will be assumed that all relevant facts and circumstances *as they existed at the pertinent time* would have been duly considered and weighed by both the willing seller and the willing buyer, and that as a result they would have arrived at an amount which one would have been willing to take and the other would have been willing to give." (Emphasis ours.)

"Time of Estimating Value"

"The patent sold, the license granted, or the uncompensated use, must all be valued as of the time of the sale, the time of the grant, or the time of the use as the case may be. Values may vary—may increase or decrease—with changed conditions and the lapse of time, but fair compensation will be determined as of the time of the sale, license, or use."

Petitioner believes the rules stated by the Arbiter accord with reason and the weight of authority, and express the principles which should control compensation, if any, recoverable in the action at law in aid of which respondent's bill was filed.

IV.

The decision of the Court of Appeals for the First Circuit that the contract upon which the action at law is founded is to be regarded as breached only when Sinclair Company finally disabled itself from performing it, in the absence of repudiation brought home to Jenkins Company at an earlier date, is probably untenable and in conflict with the weight of authority.

It is elementary that a breach of contract occurs "when performance has become immediately due and has not been rendered," and that a duty of immediate performance exists "when all things have happened and the necessary time has elapsed to make present performance by a promisor obligatory." *American Law Institute Restatement of the Law of Contracts, Section 250, Comment c.* The decision of the court below, therefore, that the contract upon which the action at law is founded is to be regarded as breached only when Sinclair Company finally disabled itself from performing it, in the absence of proof of repudiation brought home to Jenkins Company at an earlier date (R., 90), is a decision that under the contract, no duty of immediate performance by Sinclair Company of the obligation to cause the application and the invention it described to be assigned to Jenkins Company arose until demand for such assignment was made by Jenkins Company. This decision, petitioner believes, is untenable and in conflict with the weight of authority.

The contract (see Appendix, *infra*) provides that improvements of the kind contemplated "*shall accrue*" to Jenkins Company, and that Sinclair Company shall cause its employees, so far as it is able to do so, to execute applications for patents thereon *at the expense of Jenkins Company*, and to assign said applications, together with the improvements they are intended to pro-

tect, to Jenkins Company. The "*necessity*" for these provisions is explained in the contract by saying that such improvements "*belong by right to their employer,*" *and under the circumstances, to Jenkins Company.*

So far as possible, Jenkins Company was to be placed, with respect to the improvements and applications mentioned, in the same position as if the inventor were its own employee hired to make the invention. The improvements were to "accrue" to Jenkins Company, not upon demand, but when made. Its right to the property was to attach the moment it came into existence. *Standard Parts Co.* vs. *Peck*, 264 U. S., 52; *Gill* vs. *United States*, 160 U. S., 426; *Solomons* vs. *United States*, 137 U. S., 342, and *Conway* vs. *White*, 9 F. (2d), 863, C. C. A., 2.

One important right incident to ownership of a patent application is the right to control the prosecution of the application in the Patent Office. The assignee of an application may be represented by an attorney of his own selection and is entitled to hold correspondence with the Patent Office to the exclusion of the inventor (Patent Office Rules of Practice, Nos. 5, 17 and 20).

Another right incident to the ownership of an unpatented invention and patent application is the right to grant licenses and make contracts relating to the use of such inventions, and such contracts have been repeatedly upheld and enforced. *Eclipse Bicycle Co.* vs. *Farrow*, 199 U. S., 582; *Brush Electric Co.* vs. *California Electric Light Co.*, 52 Fed., 945, C. C. A., 9. The patent statutes provide specifically for the assignment of patent applications and the granting of patents thereon to the assignees. (Rev. Statutes, Sec. 4895, 35 U. S. Code, Sec. 44.) This is a separate statute from the one relating to the assignment of issued patents and interests therein. (Rev. Statutes, Sec. 4898, 35 U. S. Code, Sec. 47.)

To hold that no breach of contract occurred, absent repudiation, until the application matured into a patent

is to hold that Jenkins Company had no right to control the prosecution of the application or to exercise the other important rights incident to its ownership during the pendency of the application in the Patent Office, even though, under the contract, the application and the invention it described belonged to it.

Such a holding is contrary to the weight of authority and is a dangerous rule to govern the date of breach of a contract to assign patent applications and unpatented inventions, and the date as of which the value of an invention and application must be determined, affecting as it does the rights in unpatented inventions and patent applications, the rights of employers and employees under employment contracts, and rights under contracts to assign inventions covered by patent applications. This holding, we submit is one that should be reviewed, and the correct rule established by this court.

CONCLUSION.

It is earnestly urged, therefore, that the petition be granted.

Respectfully submitted,

DEAN S. EDMONDS,
FRANK E. BARROWS,
Counsel for Petitioner.

APPENDIX.

"CHICAGO, ILLINOIS,
October 2nd, 1916.

Cudahy Refining Company,
Chicago, Illinois.

Gentlemen:

Pursuant to our conversations and conferences relative to the Jenkins Process of treating petroleum, it is understood that we are to loan you our experimental still to be shipped to Coffeyville, Kansas, so that your experts and engineers may have apparatus immediately available upon which to carry out experiments upon the Jenkins improved process upon your petroleum products.

It is further understood that Mr. Ulysses S. Jenkins, of Chicago, will go to Coffeyville, Kansas, to install the still and will remain in an advisory capacity throughout the entire course of experimental work carried on by your experts, Mr. Jenkins' salary being $150.00 per month, and all expenses, including railroad expenses incurred by him in making trips to Chicago, rendered necessary by said experimental work, this to be paid by you.

It is further definitely understood and agreed between us that any improvements, whether of a mechanical nature, or in the process, which may be developed as the result of the work of your engineers and experts in familiarizing themselves with the Jenkins apparatus and process, shall accrue to the Jenkins Petroleum Process Company, and that you shall, so far as you are able to do, cause your employees carrying on such experimental work to execute applications for patents for the United States and any other countries to protect any such improvements, but at the expense of the Jenkins Petroleum Process Company, and to assign said applications, to-

gether with the improvements they are intended to protect, to the Jenkins Petroleum Process Company. This provision is of course rendered necessary by the fact that in the development of a process of this character, and particularly in its application to particular oils, many short cuts and improvements necessarily are developed by the experts entrusted with the carrying out of the process, which belong by right to their employer, and under the circumstances here involved, of course, to the Jenkins Petroleum Process Company, inasmuch as they are loaning you not only their experimental still, but also the services of Mr. Jenkins, the inventor himself.

It is further understood that all expenses in connection with the transportation of the still and incidental expenses shall be paid by you, and that as soon as your engineers and experts have carried on sufficient work with this still to thoroughly familiarize themselves with the process and discover the best conditions under which to apply the process to your petroleum products, the still will be returned in good condition to us, and that Mr. Jenkins' salary will continue from the time the still is first shipped to Coffeyville, until such time as it is returned.

Yours very truly,

JENKINS PETROLEUM PROCESS COMPANY
By A. G. MAGUIRE,
President.

This letter and agreement accepted
and approved.

CUDAHY REFINING COMPANY,
By W. H. ISOM, *Pres.*"

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CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1932.

No. 752.

SINCLAIR REFINING COMPANY,
Petitioner,

vs.

JENKINS PETROLEUM PROCESS COMPANY,
Respondent.

BRIEF FOR PETITIONER.

DEAN S. EDMONDS,
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IN THE

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OCTOBER TERM, 1932.

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SINCLAIR REFINING COMPANY,
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vs.

JENKINS PETROLEUM PROCESS COMPANY,
Respondent.

BRIEF OF PETITIONER.

INTRODUCTORY.

This case is here on writ of *certiorari* to the Court of Appeals for the First Circuit to review a decree of that Court (R., 91) reversing a decree of the District Court of Maine (R., 40) dismissing a bill in equity brought by Jenkins Petroleum Process Company, respondent, against Sinclair Refining Company, petitioner, for discovery in aid of an action at law.

OPINIONS OF THE COURTS BELOW.

The opinion of the District Court for the District of Maine, by District Judge John A. Peters, was filed Feb-

ruary 18, 1932. It appears at page 33 of the record and is reported in 56 F. (2d), 272.

The opinion of the Circuit Court of Appeals for the First Circuit (Circuit Judges Bingham, Wilson and Morton), by Judge Morton, was filed January 3, 1933. It appears at page 82 of the record and is reported in 62 F. (2d), 663. Judge Wilson, dissenting from the decision of the Court, wrote a dissenting opinion which appears at page 87 of the record and in 62 F. (2d), 663, at page 666.

JURISDICTION.

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the act of February 13, 1925, c. 229 (28 U. S. Code, Sec. 347).

The decree of the Court of Appeals for the First Circuit was entered January 3, 1933. The petition for a writ of certiorari was filed March 3, 1933, and was granted April 10, 1933.

STATEMENT OF THE CASE.

The Action at Law.

The action at law in aid of which the bill for discovery was filed is an action pending in the District Court of Maine, by which the plaintiff, Jenkins Petroleum Process Company, respondent herein, seeks to recover from the defendant, Sinclair Refining Company, petitioner herein, damages claimed to have been sustained as the result of an alleged breach of contract.

The contract is in the form of a letter written by Jenkins Company to Sinclair Company's predecessor, Cudahy Refining Company. The letter is set out in full at pages 14 and 15 of the record and is reproduced in the appendix to this brief (*infra*, p. 61).

The History of the Action at Law.

The suit was originally brought by the filing of a bill in equity for specific performance of the contract. The bill (R., 46), filed January 21, 1921, alleged, in substance, that Sinclair Company, by virtue of the contract, was under an obligation to cause to be assigned to complainant a certain patent application made by one Edward H. Isom, an employee of Sinclair Company, on September, 1917, together with the invention it was intended to protect; that Sinclair Company did not cause the application or the invention to be so assigned; that instead, the application was caused to be assigned to Sinclair Company; and that the application resulted in the issuance to Sinclair Company, on November 19, 1918, of U. S. Patent No. 1,285,200. The prayer of the bill was for a decree directing Sinclair Company to assign and transfer the Isom patent, with all rights thereunder, and any and all patents in other countries, or applications therefor, relating to the invention, to Jenkins Company, requiring Sinclair Company to account for all profits made by the use of the invention described in the Isom patent and for all damages sustained by Jenkins Company as a result of the alleged breach of contract, and enjoining Sinclair Company from using the invention described in the Isom patent.

Sinclair Company, by answer, joined issue on all the material allegations of the bill, and set up a number of special defenses, including failure of performance by complainant, misrepresentation, lack of consideration, and the fact that the Isom invention was made prior to and independently of knowledge of the Jenkins invention and was not an "improvement" within the meaning of the contract sued upon.

The equity suit came on for hearing in the District Court, and following ar extended trial, lasting three weeks, a decree was entered dismissing the bill (R., 77).

An opinion was filed (32 F. [2d], 247) in which the trial judge (Judge Peters) set forth the reasons which moved him to dismiss the bill. Concluding his opinion, Judge Peters said:

> "I am of the opinion from the evidence that Isom conceived the principal features of his invention before he heard of Jenkins and that nothing material was added to his knowledge of the art after he investigated the Jenkins process. The features of the Isom patent in the nature of improvements could well be the outgrowth of patents and processes shown to have been within the knowledge of Isom before any of the Jenkins process was disclosed.
>
> To permit the plaintiff to acquire the Isom patent upon the showing made here, not to mention the disparity of consideration which must be apparent, would be inequitable and unjust, and I cannot think that it should be permitted.
>
> Several other defenses have been urged by industrious counsel which I have not found it necessary to consider.
>
> The result is that the bill must be dismissed, with costs."

On appeal from the decree of the District Court dismissing the bill, the Court of Appeals for the First Circuit affirmed the decree so far as it denied specific performance (32 F. [2d], 252), but, by its mandate (R., 77-78) remanded the case to the District Court with directions to transfer it to the law side of the Court and permit complainant to amend its bill into a declaration at law for breach of the contract. Under the authority of that mandate, Jenkins Company filed the declaration in the action at law to which the present bill for discovery is auxiliary.

Pleadings in the Action at Law.

The allegations of the declaration are similar to the allegations of the original bill in equity. They set forth that Sinclair Company was obligated by the contract to cause the Isom patent application, together with the invention it was intended to protect, to be assigned to Jenkins Company; that Sinclair Company breached that obligation; and that as a result Jenkins Company sustained the damages claimed (R., 10).

The defendant, by plea of the general issue and notice of special defenses, raised issues similar to those it had previously presented by answer to the bill in equity (R., 24-32).

The Bill for Discovery.

The bill for discovery sets forth the pendency and nature of the action at law, the facts sought to be discovered, and the grounds upon which those facts are alleged to be pertinent in the action at law (R., 4-12), and the pleadings in the action at law are annexed to the bill as exhibits. Also, the bill for discovery includes as a part thereof the interrogatories designed to call forth the desired information (R., 6-9).

The information sought to be elicited by the discovery relates exclusively to the fact, nature, and extent of the use of the Isom invention by Sinclair Company during the period beginning November 19, 1919, one year after the grant of the Isom patent, and extending to August 29, 1929, the date upon which the declaration in the action at law was filed. This information is alleged to have a material bearing upon the amount of damages recoverable in the action at law.

The allegations of the bill, so far as they relate to these matters, are that Sinclair Company, during the period referred to, carried on an extensive business in

the cracking of petroleum oils, operating many stills embodying the characteristic features of the Isom invention, and producing a large quantity of gasoline and other petroleum products with that invention as the basis of its production; and that Jenkins Company cannot prove its damages at the trial of the action at law with any degree of accuracy and completeness without discovery in advance of trial as to (a) whether Sinclair Company, during the period in question, constructed and operated such stills, (b) the number of stills constructed and the period during which each still was operated, (c) the particular character, type, and construction of each still, as shown by drawings, tracings, and blueprints in the possession of Sinclair Company, (d) the number of barrels of gasoline and other products resulting from cracking processes involving the use of the stills, and (e) the amount of petroleum oil charged into the stills (R., 6-9).

With respect to part of the discovery sought, *viz.*, whether Sinclair Company used stills embodying the Isom invention during the ten-year period referred to, the number of such stills and the period during which each was operated, and the particular character, type and construction of the stills as shown by drawings, etc., in possession of Sinclair Company, nothing is alleged in the bill to show that the desired information cannot be made practically available to Jenkins Company for use at the trial of the action at law by invoking the existing legal remedies. The bill contains merely the statement of the bare conclusion that Jenkins Company cannot prove its damages accurately and completely without discovery of those facts in advance of trial (R., 4-6).

With respect to the other facts sought to be discovered, *viz.*, the number of barrels of gasoline and other products resulting from processes involving the use of Isom stills and the amount of petroleum oil charged into such stills, the bill alleges that the information desired is contained

in books, records, and papers in possession of Sinclair Company and cannot be made practically available to Jenkins Company without discovery in advance of trial, for the reason that the pertinent entries and notations are so numerous and complicated, and cover so large a production over so long a time, as to render it impossible for Jenkins Company, its attorneys and representatives, to make the necessary examination thereof during the trial if production of the books, records and papers were compelled by *subpoena duces tecum* (R., 5).

Defendant's Motion to Dismiss.

Defendant moved to dismiss the bill for discovery (R., 33). In support of the motion, defendant urged that it appears from the bill that complainant is not entitled to the relief asked because (1) the facts sought to be discovered are irrelevant and immaterial to any facts plaintiff must establish to maintain the action at law or to the amount of damages recoverable, (2) a bill for discovery cannot be maintained to discover evidence relating solely to the amount of damages recoverable in an action at law, and (3) the desired evidence can be obtained in a practically useful way without invoking the assistance of a court of equity.

Dismissal of Bill by District Court.

The cause coming on to be heard on the motion of the defendant to dismiss the bill, the District Court granted the motion and dismissed the bill with costs (R., 40). In dismissing the bill the District Court held that the amount of damages recoverable by the plaintiff must be measured by the value of the invention and the patent application at the date of the alleged breach of contract;

that such value must be determined in the light of such relevant facts and circumstances as then existed; that the alleged breach of contract, if any breach there was, occurred September 10, 1917, when the Isom application was filed; and that the evidence sought to be discovered, since it relates to facts having no existence until after that date, is not pertinent to the amount of damages recoverable, and would be inadmissible if offered at the trial (R., 36, 39, 40; 56 F. [2d], 272, at pp. 274, 275, 276). The District Court also held that a bill for discovery cannot be maintained for discovering evidence that relates solely to the amount of damages recoverable by the plaintiff in an action at law (R., 37-38; 56 F. [2d], 272, at p. 275). The objection that complainant has a clear, plain, and adequate remedy at law was not discussed by the District Court.

Decree and Opinion of the Court of Appeals.

On appeal, the Court of Appeals for the First Circuit, by a divided Court, reversed the decree of the District Court dismissing the bill for discovery (R., 91). In deciding the case, the Court of Appeals held that the evidence sought to be discovered, except as it relates to the precise extent to which Sinclair Company made use of the invention, is relevant to the amount of damages recoverable by the plaintiff in the action at law (R., 85, 62 F. [2d], 663, at p. 665); that a bill for discovery may be maintained to discover evidence relevant only to the amount of damages recoverable in an action at law (R., 83-84, 62 F. [2d], 663, at pp. 664, 665); that the allegations of the bill warrant discovery in advance of trial of the facts sought to be discovered, except as they relate to the precise extent to which Sinclair Company made use of the invention (R., 86, 62 F. [2d], 663, at p. 665); that evidence showing the precise extent to

which Sinclair Company made use of the invention, while it is not material to plaintiff's case in chief and for that reason not discoverable in advance of trial, might become relevant if Sinclair Company, at the trial, should deny the utility and commercial success of the invention; that under such circumstances plaintiff would be entitled to discovery of such evidence; and that the bill should be retained so that prompt discovery could then be ordered (R., 86, 62 F. [2d], 663, at p. 665).

In arriving at this conclusion the Court said (R., 85, 62 F. [2d], 663, 665): "We do not think that a court, valuing in judicial proceedings an invention described in an application for a patent, is obliged to shut its eyes to the result of the application, nor to the commercial utility of the invention as shown by the use of it in the art or industry to which it relates, but may take evidence on those points up to the time of trial. Williston on Contracts, page 2394."

The Court of Appeals also held that, upon the allegations of the bill, the contract upon which the action at law is founded is to be regarded as breached only when Sinclair Company finally disabled itself from performing it; hence, the breach, if any there was, occurred on November 19, 1918, the date upon which the application ceased to be an application and became merged in the patent issued on that date to Sinclair Company (R., 86-87, 62 F. [2d], 663, 665, 666).

SPECIFICATION OF ERRORS.

The errors which petitioner urges are that the Court of Appeals for the First Circuit erred in the following matters, to-wit:

1. In reversing the decree of the District Court of Maine dismissing respondent's bill for discovery.

2. In holding that the evidence sought to be discovered, except as it relates to the precise extent to which petitioner made use of the Isom invention, is relevant to the amount of damages recoverable by plaintiff in the action at law.

3. In holding that a bill in equity for discovery may be maintained to discover evidence relevant only to the amount of damages recoverable in an action at law.

4. In holding that the allegations of respondent's bill for discovery warrant discovery in advance of trial of the facts sought to be discovered, except as they relate to the precise extent to which petitioner made use of the Isom invention.

5. In holding that respondent's bill for discovery ought to be retained in order that discovery of the precise extent to which petitioner made use of the Isom invention may be ordered during the trial of the action at law in the event that an issue arise at the trial to which such evidence would be relevant.

6. In holding that the contract upon which the action at law is founded is to be regarded as breached only when Sinclair Company finally disabled itself from performing it, in the absence of proof of repudiation brought home to Jenkins Company at an earlier date.

7. In failing to hold that the contract upon which the action at law is founded is to be regarded as breached when the duty of performance, if any there was, became immediately due and was not discharged.

SUMMARY OF ARGUMENT.

In support of the contention that the decree of the Court of Appeals for the First Circuit should be reversed

and the decree of the District Court affirmed, petitioner will urge that respondent is not entitled to the relief prayed for in the bill for discovery for the following reasons:

I. The evidence sought to be discovered is not relevant to the matter in support of which it is desired, *viz.*, the amount of damages recoverable in the action at law for the alleged breach of contract.

II. The evidence sought to be discovered, if relevant, can be obtained in a practically useful way without invoking the assistance of a court of equity.

III. A bill for discovery cannot be maintained to discover evidence relating solely to the amount of damages recoverable by plaintiff in an action at law.

ARGUMENT.

I.

THE EVIDENCE SOUGHT TO BE DISCOVERED IS NOT RELEVANT TO THE MATTER IN SUPPORT OF WHICH IT IS DESIRED, *VIZ.*, THE AMOUNT OF DAMAGES RECOVERABLE IN THE ACTION AT LAW FOR THE ALLEGED BREACH OF CONTRACT.

This conclusion is founded upon the following propositions: (a) the compensation recoverable by plaintiff in the action at law must be measured by and limited to the market value of the Isom invention and application at the date when the alleged breach of contract occurred; (b) the breach of contract, if any there was, occurred at least as early as November 19, 1918; and (c) the evidence sought to be discovered relates exclusively to what happened long subsequent to the date

of the breach, namely, between November 19, 1919, and August 29, 1929, and therefore is not relevant or admissible to prove the market value of the Isom invention and application at the date of the alleged breach.

Market Value at the Time of the Breach is the Standard By Which the Damages Recoverable Are to be Measured.

The principle upon which damages for breach of contract are assessed is that, so far as a monetary award will do so, the injured party is to be placed in the same position as he would have been in at the time of the breach if the contractual duty owing to him had been performed. *Benjamin* vs. *Hillard,* 23 How., 149, 167; *Wicker* vs. *Hoppock,* 6 Wall., 94, 99. He is not to be placed in a better position. *Bauman* vs. *Ross,* 167 U. S., 548, 574; 17 *Corpus Juris,* page 848.

The rule best adapted to secure this result in the class of cases here involved is well settled. Long ago, in *Shepherd* vs. *Hampton,* 3 Wheat., 200, this Court announced the rule that the damages recoverable for breach of contract to assign or transfer property are to be measured by the market value of the property at the time of the breach. In that case the breach of contract was the failure to deliver cotton at the time and place agreed upon. The market price of cotton subsequently increased to three times the contract price and the plaintiff contended that the damages should be measured by the increased value of the cotton subsequent to the date of the breach. Speaking of this contention, Chief Justice Marshall said (p. 204):

> "The only question is whether the price of the article at the time of the breach of the contract, or at any subsequent time before suit brought, constitutes the proper rule of damages in this case. The unanimous opinion of the court is, that the price of

> the article at the time it was to be delivered, is the measure of damages."

This rule was subsequently applied in *Marsh* vs. *McPherson,* 105 U. S., 709, and later, in *Effinger* vs. *Kenney,* 115 U. S., 566, Mr. Justice Field stated the rule as follows (p. 575):

> "Where a contract is for the delivery of specific articles, the rule undoubtedly is that the damages recoverable for its breach are to be determined by the value of the articles at the time and place of their delivery."

The rule is the same as that applied in other situations requiring the assessment of damages for the deprivation of property. It is the rule used in measuring compensation for the taking of property under the power of eminent domain. The owner is entitled to recover the market value of the property at the time of the taking. *Brooks-Scanlon Co.* vs. *United States,* 265 U. S., 106, 123; *L. Vogelstein & Co.* vs. *United States,* 262 U. S., 337, 340; *United States* vs. *New River Collieries Co.,* 262 U. S., 341, 344; *Seaboard Air Line R. Co.* vs. *United States,* 261 U. S., 299, 306; *United States* vs. *Chandler-Dunbar Co.,* 229 U. S., 53, 80, 81; *Monongahela Nav. Co.* vs. *United States,* 148 U. S., 312, 341. And where property is destroyed by wrongful act, the compensation the owner may recover is the market value of the property at the time of destruction. *Standard Oil Co.* vs. *Southern Pacific Co.,* 268 U. S., 146, 155; *The Baltimore,* 8 Wall., 377, 385.

Counsel for respondent agree that the general rule is that damages for breach of a contract to transfer property are to be measured by the market value of the property at the time of the breach, but contend that the general rule should not be applied in the instant case "because the subject matter of the contract makes

the ascertainment of such a market value absolutely impossible." (Respondent's brief opposing petition for writ of *certiorari*, p. 21, second paragraph.) The unsoundness of such a contention was pointed out by this Court in *Burnet* vs. *Houston*, 283 U. S., 223.

Surely difficulty in applying a rule found by long experience and careful thought to be a sound and fair rule, does not justify rejection of the rule and adoption in its stead of some rule other than the sound and fair one. Instead, the difficulties in the path of application of the sound and fair rule call merely for exercise of greater care and effort in overcoming the difficulties.

It is true that the market value of an unpatented invention or a patent application or a patent cannot be established, as in the case of staple merchandise, by reference to contemporaneous sales of like property. This, however, does not render "impossible" the ascertainment of the market value of the property or require abandonment of the "market value" standard of determining damages for breach of the contract. More difficult problems of evaluation have been presented to the Courts than ascertainment of the "market value" of an unpatented invention, or a patent application, or a patent, and solutions have been arrived at by the ordinary processes of judicial procedure which were found to be so acceptable as to warrant using them as bases for decrees in litigations. The rule to be followed is that the market value is that sum which in all probability would result from fair negotiations between an owner willing to sell and a purchaser desiring to buy. Such sum is to be fixed as accurately as it may be by such evidence as is available for the purpose, and to the extent that other and more reliable evidence is not available, opinion evidence may be received. *Standard Oil Company* vs. *Southern Pacific Co.*, 268 U. S., 146, 155, 156; *Brooks-Scanlon Co.* vs. *United States*, 265 U. S., 106, 123, 124; *DeLaval Steam Turbine Co.* vs. *United States*, 284 U. S., 61, 71-72.

In *Standard Oil Company* vs. *Southern Pacific Company, supra,* this method or formula was used to determine the market value of a ship at the time of its loss or destruction by collision. In that case the Court said:

> "Where there is no market value such as is established by contemporaneous sales of like property in the way of ordinary business, as in the case of merchandise bought and sold in the market, other evidence is resorted to. The value of the vessel lost properly may be taken to be the sum which, considering all the circumstances, probably could have been obtained for her on the date of the collision; that is, the sum that in all probability would result from fair negotiations between an owner willing to sell and a purchaser desiring to buy."

In *Brooks-Scanlon Co.* vs. *United States, supra,* and in *DeLaval Steam Turbine Co.* vs. *United States, supra,* it was held that the market value of contracts at the time of their requisition by the government under the power of eminent domain should be so determined.

That unpatented inventions and patent applications and patents have what may fairly be called "market value" is not open to question. Clearly they have market value as much as a piece of land which is supposed to have beneath its surface mineral ore of unknown amount and at unknown depth and in unknown condition, and the Courts have had frequent occasion to determine the market price of such mineral land as of a specified date. Such a case is *Montana Railway Co.* vs. *Warren,* 137 U. S., 348, where this Court had to consider the question whether or not the trial Court had erred in admitting opinion evidence not based on sales of the same or similar property to establish the market value of property taken by a railroad company under the right of eminent domain. The property taken was a strip of land running through a mining claim or "pros-

pect" which had been developed so far as to indicate that possibly, or even probably, a rich vein of ore extended through the property. Mr. Justice Brewer, delivering the opinion of the Court, said (p. 352):

> "That this mining claim, which may be called 'only a prospect,' had a value fairly denominated a market value, may, as the Supreme Court of Montana well says, be affirmed from the fact that such 'prospects' are the constant subject of barter and sale. Until there has been full exploiting of the vein its value is not certain, and there is an element of speculation, it must be conceded, in any estimate thereof. And yet, uncertain and speculative as it is, such 'prospect' has a market value; * * *."

Unpatented inventions and patent applications, like mining prospects, are the constant subject of sales. Inventors commonly sell their inventions at or prior to filing patent applications or while their applications are pending in the Patent Office, as shown, for example, in *Eclipse Bicycle Co.* vs. *Farrow*, 199 U. S., 581. Statutory provision has been made for recording assignments of applications and issuing patents thereon to assignees. Revised Statutes, Section 4895 (U. S. Code, Sec. 44). Most of the patents coming before the Courts for enforcement are patents issued to assignees of patent applications under the provisions of this statute. Discussions of the considerations affecting the prices obtainable for unpatented inventions and patent applications are to be found in books relating to patent rights, and their exploitation (see *"Inventions and Patents, Their Development and Promotion,"* by Milton Wright, Associate Editor of "Scientific American," Chapters IX to XIII, published 1927).

How one shall proceed to establish the market value of an unpatented invention, or a patent application, or a patent as of a certain date, namely, that amount which

would be arrived at by fair negotiations between a willing owner and an acquisitive purchaser, may present questions as to the best evidence involving some difficulties, but certainly such difficulties can be successfully met in the case of an invention, or patent application, or patent, if they can be met, and have been met, successfully in cases involving mining prospects and ships which have become a total loss by sinking or burning and contracts for the construction of ships, buildings and the like.

Another objection made by the respondent to measuring the damages recoverable for the alleged breach of contract by the market value of the Isom invention and application at the date of breach is that application of the rule will "protect a defendant in the enjoyment of what it wrongfully has acquired or has withheld" (Respondent's brief opposing petition for writ of *certiorari*, p. 21, first paragraph).

The possibility of such a result did not deter this Court from applying the rule in *Shepherd* vs. *Hampton*, 3 Wheat., 200, where the cotton contracted for subsequently increased to three times the contract price. Nor should the possibility of that result deter the Court in this case. The inquiry in any case where damages for deprivation of property are sought is what the injured party lost, not what the other party gained. *Boston Chamber of Commerce* vs. *Boston*, 217 U. S., 189, 195.

The Court of Appeals Opinion.

The opinion of the Court of Appeals does not indicate with any clarity that the Court adopted the view that the damages recoverable are to be measured by the market value of the Isom invention and application at the date of the alleged breach. It even admits of the view that the Court was of the opinion that the damages recoverable are to be measured by the value of the inven-

tion *at the date of trial,* by reason of the statements that a patent application "has no 'market' value in the strict sense of that term," that the money value of an invention "may be estimated from the change which it effected in the practice of the art," that evidence of "the commercial utility of the Isom invention as shown by the use of it in the art or industry to which it relates is admissible to show the inherent character and place of the invention," and that evidence on those points may be taken "up to the time of trial."

We understand the opinion to mean that in the Court's view the damages recoverable are to be measured by the market value of the invention and application at the date of the alleged breach and that evidence of what transpired in the use of the invention in the ten years after the alleged breach is admissible and may be considered for such indication as it will give of the value of the invention and application at the date of the alleged breach.

In support of its conclusion, the Court of Appeals cited *United States Frumentum Company* vs. *Lauhoff,* 216 Fed., 610, *Hetzel* vs. *Baltimore & Ohio R. Co.,* 169 U. S., 26; *Cincinnati Siemens-Lungren Gas Illuminating Co.* vs. *Western Siemens-Lungren Co.,* 152 U. S., 200; and *Williston on Contracts,* page 2394.

On analysis, these authorities are found to afford no support for the Court's view and no reason for rejecting the established rule that the damages recoverable are to be measured by the market value at the date of the breach.

In *United States Frumentum Co.* vs. *Lauhoff,* 216 Fed., 610, C. C. A., 6, the opinion of the Court contains expressions which might suggest that where the market value of property cannot be established by showing what the same or similar property commonly sold for, the market value criterion of measuring damages for its wrongful

taking must fail (pp. 615, 616). But this is not what the Court actually decided.

The question before the Court was whether a patentee who granted no licenses under his patent and, for that reason, could not prove his damages by showing a fixed or established royalty, must be restricted to the recovery of nominal damages for infringement. The Court held that the compensation recoverable by such a patent owner is the amount which the right to use the patented invention would have brought in the open market during the infringing period, and that the primary measure of that amount is the price at which the patentee customarily granted licenses; but that where that method of measuring the damages cannot be used because no licenses were granted by the patentee, it is permissible to establish what the right to use the patented invention would have brought in the market during the infringing period by proving what would have been a reasonable royalty for such use. This does not involve abandonment of the market value standard of measuring damages for the deprivation of property. It is but the application to patent infringement suits of the rule applied in other cases that where the market value of the property involved cannot be shown by contemporaneous sales of like property, it may properly be taken to be the sum that in all probability would result from negotiations between a willing buyer and a willing seller.

In *Hetzel* vs. *Baltimore & Ohio R. Co.*, 169 U. S., 26, the Court held that an owner of adjacent property is entitled to recover damages equivalent to the injury sustained as the result of unlawful obstruction of a street, and that in determining the amount of damages a jury may properly consider the market value of the property during the period the street was obstructed and what might have been obtained for it during that time if the street had not been occupied and used by the defendant. In the course of the opinion, speaking

of the certainty required of proof of damages, this Court said (p. 37):

> "Of course in such inquiries, absolute certainty as to the damages sustained is in many cases impossible. All that the law requires is that such damages be allowed as, in the judgment of fair men, directly and naturally resulted from the injury for which suit is brought. This is the rule which obtains in civil actions for damages. They have their foundation in the idea of just compensation for wrongs done."

There is nothing in the case that requires rejection of the market value test for measuring damages for breach of a contract to assign property.

In *Cincinnati-Siemens-Lungren Gas Illuminating Co.* vs. *Western Siemens-Lungren Co.*, 152 U. S., 200, this Court held that an exclusive licensee whose licensor, in violation of the contract, had knowingly permitted sales of the patented articles to be made in the exclusive territory, cannot recover the profits he would have made if he had made the sales without proof that he would in fact have made them but for the violation of the contract. The Court based its decision on the rule laid down in *Seymour* vs. *McCormick*, 16 How., 480, 486, 490, that actual damages must be actually proved, and in commenting upon the controlling effect of that case said (p. 205):

> "It is true that that was an action for an infringement, and this for a breach of a contract, but still the rule of damages is the same."

That damages must be proved to warrant recovery does not require abandonment of the market value method of determining damages in a case like the present one.

The reference to *Williston on Contracts,* page 2394, is to the last sentence in Section 1339, where the author, speaking of the measure of damages in cases where the time for all the performance defendant has promised has not arrived at the date of breach, and discussing the *present* value of this *future performance,* says:

> "If the case is not tried too soon to make it possible, evidence is admissible to show that in the future the damage if not speculative or remote actually turned out to be greater or less than the value which would have been placed at the time of the breach on the future undertakings in the contract."

This statement has no application to the present case. We are not here concerned with a breach of any undertaking in which the time for the performance has not yet arrived.

We therefore submit that the general rule for determining damages for breach of contract to transfer property is applicable to this case; that the damages the plaintiff may recover are to be measured by the market value of the Isom invention and application at the date of the breach; and that the market value is such sum as would in all probability have resulted from negotiations at the date of the breach between an owner willing to sell and a purchaser desiring to buy.

The Date of the Alleged Breach.

The District Court was of the opinion that the facts alleged in the declaration, taken in connection of the undenied assertions of counsel that the records of the Patent Office show that the Isom application was assigned to Sinclair Company when it was filed, establish that the breach occurred not later than September 10, 1917, when the Isom application was filed. In his opin-

ion, Judge Peters said (R., 35, 36-37; 56 F. [2d], 272, 274):

> "The pending suit at law is and should be regarded simply as an action to recover damages for the failure of the defendant to cause to be turned over to the plaintiff something alleged to be of value, viz., the Isom application and the improvements covered by it. The letters patent show that Isom assigned his application to the defendant. It is asserted by counsel that the records of the Patent Office show that the application had been so assigned when it was filed, in which case it would seem that any breach occurred not later than September 10, 1917, when the application was filed."

The Court of Appeals held that, upon the facts alleged in the declaration, the breach of contract occurred November 19, 1918, the date upon which the patent issued to Sinclair Company on the Isom application. Discussing this question, Judge Morton said (R., 86-87; 62 F. [2d], 663, 665, 666):

> "Some question is raised as to the point of time at which the defendant's breach of contract occurred. The correct date will depend on the facts proved at the trial. If there was no repudiation of the contract of which notice was given to the plaintiff, the contract may be regarded as broken when the defendant finally disabled itself from performing it. The defendant, after having taken the assignment of the application from Isom, could have reassigned it to the plaintiff with the same effect as if originally so assigned by Isom. The contract would have been complied with by such an assignment. The interposition of the mesne assignment would not affect the plaintiff's rights; and it was open to the defendant to carry out the contract in that way if it saw fit to do so. It was therefore within the power of the defendant to perform the contract at any time

until the application had become merged into the patent. While the defendant could still have transferred the patent after it had been issued, the transfer of a patent is substantially different from the assignment of the application for it; the value of the patent can be greatly affected for better or worse by the way in which the application is handled in the Patent Office. On the facts alleged, the contract appears to have been broken on the date when the application became merged into the patent."

It will be noted that the majority of the Court of Appeals took the view that, on the facts alleged, the contract sued on is to be regarded as breached only when Sinclair Company became disabled from performing the supposed obligation to cause Isom to assign his application to Jenkins Company; that it was open to Sinclair Company to carry out the contract by reassigning the application to Jenkins Company at any time before the application became merged into the patent; and that complete disability to do so did not arise until the application, by merger into the issued patent, ceased to have existence.

The District Court, on the other hand, was of the opinion that the contract imposed upon Sinclair Company an obligation to cause the invention and application to be assigned to Jenkins Company as soon as any invention and application covered by the contract came into existence; that the Isom invention and application were in existence September 10, 1917, and that the breach of contract occurred at least that early. This is the view petitioner believes to be correct.

It is elementary that a breach of contract occurs "when performance has become immediately due and has not been rendered," and that a duty of immediate performance exists "when all things have happened and the necessary time has elapsed to make present performance by a promisor obligatory." *American Law In-*

stitute, Restatement of the Law of Contracts, Section 50, Comment c.

We submit that the contract here under consideration contemplated that performance would "become immediately due" as soon as an invention coming within the contract was made and a description of it in the form of a patent application was prepared and filed.

The contract (see Appendix, *infra*, p. 61) provides that improvements of the kind contemplated "*shall accrue*" to Jenkins Company, and that Sinclair Company shall cause its employees, so far as it is able to do so, to execute applications for patents thereon "*at the expense of the Jenkins Petroleum Process Company*" and to assign said applications, together with the improvements they are intended to protect, to Jenkins Company. The "*necessity*" for these provisions is explained by saying that such improvements "*belong by right to their employer, and under the circumstances here involved, of course, to Jenkins Petroleum Process Company.*"

These provisions indicate unmistakably that the parties intended that Jenkins Company, so far as possible, was to be placed in the same position as if the inventor were its own employee hired to make the invention. As in such cases, the "improvements" were to "*accrue*" to Jenkins Company when made. Its right to the property was to attach the moment it came into existence. *Standard Parts Co.* vs. *Peck*, 264 U. S., 52; *T. B. Harms & Francis, Day & Hunter* vs. *Stern*, 229 Fed., 42, 48.

One of the important factors in securing adequate patent protection for an invention is the proper and skillful preparation of the patent application. Rule 17 of the Rules of Practice of the Patent Office advises the employment of a competent patent attorney, pointing out that "the value of patents depends largely upon the skillful preparation of the specification and claims." An employer who is entitled to the inventions of an employee, under a contract of employment, is naturally in-

terested in having the patent applications for such inventions skillfully prepared by a competent patent attorney; and the expense of such preparation is a proper expense for the employer to assume. The contract on which the present suit is based specifically provides that the execution of applications shall be at the expense of the Jenkins Company, and the company should properly have the right to control that for which it is required to pay.

Another important right incident to the ownership of a patent application is the right to control the prosecution of the application in the Patent Office. The assignee may be represented by an attorney of his own selection and is entitled to hold correspondence with the Patent Office to the exclusion of the inventor (Patent Office Rules of Practice, Nos. 5, 17 and 20).

Another right incident to the ownership of an unpatented invention and patent application is the right to grant licenses and make contracts relating to the use, manufacture, and sale of the invention. Such contracts have been repeatedly upheld and enforced. *Eclipse Bicycle Co.* vs. *Farrow*, 199 U. S., 582; *Brush Electric Co.* vs. *California Electric Light Co.*, 52 Fed., 945, C. C. A., 9. Provision for the assignment of patent applications has been made by a separate statute (Rev. Statutes, Sec. 4895 [35 U. S. Code, Sec. 44]) from the one relating to the assignment of issued patents and interests therein (Rev. Statutes, Sec. 4898 [35 U. S. Code, Sec. 47]).

To hold that the parties did not intend that Jenkins Company should be entitled to have the contemplated "improvements" transferred and assigned to it immediately they came into existence, and that no breach of contract occurred, absent demand by Jenkins Company or repudiation by Sinclair Company, until the application matured into a patent, is to hold that they did not intend that Jenkins Company should have the right to

control the preparation and prosecution of the patent application or to control the other important rights incident to ownership of unpatented inventions during the pendency of patent applications in the Patent Office. But that the parties contemplated that Jenkins Company should have assignments of the inventions and applications immediately they came into existence, is shown not only by the provision that the inventions and applications should "accrue" to Jenkins Company, but also by the provision that the preparation of applications for patent protection should be "at the expense of" Jenkins Company, and by the explanation of the necessity for these provisions, *viz.*, that the Jenkins Company was to be considered the same as if it were the employer of the inventors.

The conclusion of the majority of the Court of Appeals, that the alleged breach did not occur until the date of issuance of the patent, is made the more strange by the Court's comment upon the value and importance of ownership of the patent protection while still in the form of an application for patent. The Court expressed its recognition of the fact that the value of the protection ultimately obtained might be varied over a wide range by what was done by the record owner of the application during its pendency in the Patent Office.

For these reasons we think it is clear beyond question that the breach of the contract, assuming there was one, occurred on September 10, 1917, when the Isom application was filed and assigned to Sinclair Company, as held by the District Court in this case, and not on November 19, 1918, when the patent issued to Sinclair Company, as held by the majority of the Court of Appeals.

The contract put the Jenkins Company in the position of the employer of the inventors, and deferring the

assignment of such an application to the employer until long after it was filed denies to the employer the full enjoyment of rights above discussed to which he is justly entitled. Viewed in this light, the issue here presented is of application far beyond this case, for it extends to the rights of employers and employees in unpatented inventions and patent applications generally.

For this reason, and also for the guidance of the Courts and the litigants in the determination of the suit at law, it is most desirable that this Court dissolve the conflict between the views of the District Court and the Court of Appeals on this right by an authoritative pronouncement.

Statute of Limitations.

In the two concluding paragraphs of respondent's brief in opposition to the petition of certiorari (pp. 26, 27) the argument is made that it would be unreasonable to fix the breach as occurring when the application was filed because, if the cause of action occurred at that time, plaintiff could have avoided any liability by the simple expedient of keeping the application pending in the patent office for the period of limitation without informing respondent of its existence.

It has been repeatedly held that damages are to be assessed as of the date of the breach or injury regardless of the fact that the statute of limitations may not have begun to run until after discovery of the breach or injury complained of.

In *Blake* vs. *Traders National Bank*, 145 Mass., 13, a breach of trust occurred in 1867 which the cestuis que trust did not discover until 1877. The Supreme Court of Massachusetts held that the action was not barred by the statute but that the amount recoverable was the value of the property at the time of the breach with interest.

In *Petrelli* vs. *West Virginia, Pittsburgh Coal Co.*, 86 W. Va., 607, 104 S. E., 103, it was held that the Statute of Limitations did not begin to run until the discovery of the trespass, or the time when discovery was reasonably possible, but the measure of damages for the trespass was the value of the mineral at the time of the trespass, which was several years earlier.

In *Kingston* vs. *Lehigh Valley Coal Co.*, 241 Pa., 469, 88 A., 763; 49 L. R. A. (N. S.), 557, it was similarly held that the running of the statute did not begin until the discovery of the trespass, but that nevertheless it was the date of the trespass which determined the value and the measure of damages.

Accordingly, even if plaintiff's ignorance of the filing of the Isom application should prevent the beginning of the running of the Statute of Limitations, that would not change the date of the alleged breach or effect the measure of damages for that breach.

The Evidence Sought To Be Discovered Has No Tendency to Prove the Market Value of the Isom Invention at the Date of the Alleged Breach.

The facts sought to be discovered relate exclusively to the fact, nature, and extent of the use of the Isom invention by Sinclair Company during the period beginning November 19, 1919, one year after the grant of the Isom patent, and extending to August 29, 1929, the date upon which the action in equity was amended into an action at law by the filing of plaintiff's declaration (See Statement of Facts, *supra*, pp. 5 and 6). This period is all subsequent to the date of breach indicated by both the District Court and the Court of Appeals.

The District Court held that this evidence is not pertinent to the market value of the Isom invention and application at the date of the breach, because it relates

to facts having no existence at that time (R., 37; 56 F. [2d], 272, at p. 276).

The Court of Appeals, by two of its members, held otherwise. Its views as to the relevancy of the evidence sought are stated in the opinion, as follows (R., 84, 85, 86; 62 F. [2d], 663, at p. 665):

> "The plaintiff's damages are the loss which it sustained by being deprived of the application and the resulting patent. The Sinclair Company contends that the grant of the patent and the commercial use of the invention are not admissible on the value of the application and are therefore irrelevant on the question of damages.
>
> An application for a patent, being a thing sui generis, has no 'market' value in the strict use of that term. Standard Oil Co. vs. So. Pacific Co., 268 U. S., 146, 45 S. Ct., 465, 69 L. Ed., 890; United States Frumentum Co. vs. Lauhoff, 216 F., 610 (C. C. A., 6). Its money value may be estimated from the nature of the invention disclosed, its place in the art to which it relates, the step which the inventor took, and the change which it effected in the practice of the art. These facts, and other relevant circumstances, may be supplemented by opinion evidence of value, as in the case of real estate. Montana R. Co. vs. Warren, 137 U. S., 348, 11 S. Ct., 96, 34 L. Ed., 681.
>
> We do not think that a court, valuing in judicial proceedings an invention described in an application for a patent, is obliged to shut its eyes to the result of the application, nor to the commercial utility of the invention as shown by the use of it in the art or industry to which it relates, but may take evidence on those points up to the time of trial. Williston on Contracts, page 2394.
>
> Such evidence is not for the purpose of showing increase in value or new uses, which as is well settled with regard to the valuation of land taken by eminent domain, would not be admissible, but to

> show the inherent character and place of the invention in question. It is analogous to evidence of successful commercial use of a patent on the question of invention, and of the actual results of a physical injury for which damages are sought. Hetzel vs. B. & O. R. Co., 169 U. S., 26, 18 S. Ct., 255, 42 L. Ed., 648; Cincinnati Siemens-Lungren Gas. I. Co. vs. Western S. L. Co., 152 U. S., 200, 14 S. Ct., 523, 38 L. Ed., 411."

As we have stated, petitioner maintains that the damages recoverable are to be measured by the market value of the Isom invention and application at the date of the alleged breach of the contract. Therefore, evidence that Sinclair Company made use of the invention in the ten years from 1919 to 1929, long subsequent to the date of the alleged breach, has no relevancy to the amount of damages plaintiff may recover, for the reason that such evidence has no tendency to prove what would have influenced a willing seller and a willing buyer negotiating for the application in September, 1917 or November, 1918.

In arriving at the sum to be paid, such a willing seller and a willing buyer could have been influenced only by facts and circumstances as they existed at the date of the alleged breach. They would not know and could not foresee as a certainty that the invention would be used commercially by Sinclair Company or by anyone else in the period between 1919 and 1929. To invest the willing seller and willing buyer of September 10, 1917 or November 19, 1918, with certain knowledge of such use would be filling them with wisdom after the event.

The nature of an invention, a patent, or a patent application, is such that it may be of great value at one time and utterly worthless at another (*Alpha Portland Cement Co.* vs. *Schratweiser,* 221 Fed., 258, 259). The frequency with which a discovery is superseded so that it becomes of little or no value, as well as the frequency

with which discoveries that had little or no value when made become exceedingly valuable as the result of some unforeseen development, is well understood.

The value of such property depends entirely upon how matters stood at the date with respect to which it is valued, and a Court, in determining the value as of any given date, should solve the question in the light of facts and circumstances as they then existed and not as they might have come into existence years later. This is not to disregard the future, but the future must be forecast in the light of things presently known and carry the hazard of uncertainty which attends all prophecies regarding future value.

The value the Isom invention and application had in the light of facts known or foreseeable at the date of the alleged breach of contract is one thing; the value they had in the light of commercial utilization by Sinclair Company during the period of ten years or more thereafter is another; and between the two there is no demonstrable relation. The Isom invention relates to the art of oil cracking, and the changing technical and commercial conditions existing in that art during the ten years period covered by the bill for discovery will be evident to this Court from its consideration of those conditions in connection with the case of *United States* vs. *Standard Oil Co.*, 283 U. S., 183.

Counsel for respondent contend that to require the value of the Isom invention and application to be determined in the light of such facts and circumstances as existed at the date of the alleged breach of contract would so limit the evidence admissible at the trial as to deprive Jenkins Company of fair compensation for the loss occasioned by the breach. They say (Respondent's brief opposing petition for certiorari, pp. 24, 25):

> "Under those conditions, practically the only evidence which the respondent would be allowed to in-

troduce to establish the value of the Isom application or patent as the measure of damages to which the respondent is entitled, would consist of the purely theoretical and speculative opinion of experts based solely on a study of the patent application and the state of the art as of the date that application should have been assigned to plaintiff * * *. In accordance with the petitioner's contentions, however, the jury would be limited to the purely speculative inquiry, first as to whether any patent would issue on the basis of the original application filed by Edward W. Isom, and if so, as to the scope that patent would have and as to the inventions that would be covered thereby, and second, as to the commercial value of the patent, the scope and the fact of the issuance of which would depend upon the result of the first speculative inquiry. Both those inquiries, of course, in accordance with the petitioner's contentions, would be made entirely from the viewpoint of September 10, 1917, and all actual facts, and all actual knowledge derived from any matters and things of any later date than September 10, 1917, would be disregarded and would be kept from the consideration of the jury."

Respondent cannot justly complain if the value which is to determine the amount of its recovery is to be fixed largely or entirely by opinion evidence. A case directly on this point is *Montana Railway Co.* vs. *Warren*, 137 U. S., 348, 352-3, wherein this Court said that "evidence of value is largely a matter of opinion."

It is true that the evidence admissible at the trial would be limited to that outlined in the above argument if such matters were all a willing seller and a willing buyer negotiating for the Isom invention and application could have known, or could have foreseen, at the date of the alleged breach of contract. But this is not, as counsel for respondent seem to believe, a

reductio ad absurdum. Quite the contrary, for if the compensation recoverable is limited to the value of the invention and application at the date of breach, respondent is not entitled to have their value determined in the light of facts which, because they had no existence, could not have influenced anyone in estimating their value.

Nor has it ever been considered that one whose damages are to be measured by the value of property as of any given date is deprived of just and fair compensation by the fact that in determining the value of the property no consideration is given to facts and circumstances having no existence at the pertinent time. Instances illustrative of this are in great number.

Precedents Relied Upon.

The War Claims Arbiter, functioning under the Settlement of War Claims Act of 1928, was called upon to establish rules dealing with the basis of fair compensation for patents and patent rights seized during the World War, and in his "Administrative Decision No. 2" he announced that he would be guided by the following rule which was manifestly formulated to accord with the weight of judicial precedent available at the time (pp. 54-55).

"Basic Rule."

> "The phrase 'as nearly as may be determined' as used in the Act is but a recognition of the fact that mathematical accuracy cannot be approximated in fixing fair compensation. But, considering all of the facts in each case, the aim of the Arbiter will be to arrive at an amount as nearly as may be determined, which, in all probability, would have resulted from fair negotiation between a citizen of the United States who was willing to sell or license his patent, on the one part, and the Government of the United States which desired to buy the patent

or to acquire the grant of a license, on the other part.

In arriving at this amount the Arbiter will weigh all of the relevant facts as developed in each case with a view to determining (1) what a reasonably prudent and experienced person, duly authorized to represent the Government, would have been willing to pay at the pertinent time, in the light of all of the *then* existing relevant facts and circumstances, and (2) what a reasonably prudent citizen of the United States would at that time have been willing to accept for the patent, license, or use in question in the light of the *then* existing relevant facts and circumstances, and (3) the amount which would have been arrived at as the result of such bargaining.

"In reaching this amount neither the value to the owner of the patent nor the value to the United States alone will control. Both will be considered; and it will be assumed that all relevant facts and circumstances *as they existed at the pertinent time* would have been duly considered and weighed by both the willing seller and the willing buyer, and that as a result they would have arrived at an amount which one would have been willing to take and the other would have been willing to give." (Emphasis ours.)

"Time of Estimating Value."

"The patent sold, the license granted, or the uncompensated use, must all be valued as of the time of the sale, the time of the grant, or the time of the use as the case may be. Values may vary—may increase or decrease—with changed conditions and the lapse of time, but fair compensation will be determined as of the time of the sale, license, or use."

In *Re Taxes Waialua Agricultural Co.*, 30 Hawaii, 755, the Supreme Court of Hawaii, discussing the valuation of property for assessment purposes said (p. 761):

"While further prospects are thus potent factors in estimating value, events subsequent to the assessment date cannot be considered for the simple reason that at the assessment date they could not have moved the intending purchaser."

In *Rieber* vs. *Butler, etc., R. Co.,* 201 Pa., 49, the Supreme Court of Pennsylvania approved the following charge to the jury in a condemnation proceeding:

"In estimating the damages in this case the jurors are to consider the matter just as if they were called upon to value the injury at the moment when the railroad condemned the land."*

In *Philadelphia Ball Club* vs. *Philadelphia,* 192 Pa., 632, the Supreme Court of Pennsylvania, in a case involving damages to abutting property arising from change of street grade, referring to a decision of the Court in *Schuylkill Nav. Co.* vs. *Thoburn,* 7 Serg. & Rawle, 411, said:

"But this court held (1) that only the difference in the actual value of the entire property before and after the injury was inflicted could be considered; (2) that the time at which this difference of value was to be estimated was immediately after the injury was completed; (3) *that no consideration could be given to circumstances occurring after the completion of the injury;* (4) that in no event could there be any recovery for loss of profits of business resulting from the enforced abandonment of the mill and its machinery; (5) that there could be no recovery for any damages which were imaginary, speculative, or remote. All of these rulings have been repeatedly sustained and enforced ever since the Thoburn Case was decided." (Emphasis ours.)

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*This charge appears in the unofficial report, 50 Atl., 311, but is not set out in the official report.

Proceeding to determine whether improvements made subsequent to the change of grade could be considered in the case before it, the Supreme Court of Pennsylvaina said:

> "As a matter of course, these works and improvements, being long subsequent to the change of grade, could not lawfully have entered into the computation of the leasehold in 1893, for the simple reason that nothing could be known about them at that time."

It has been regarded as settled, ever since the decision of this Court in *Boom Co.* vs. *Patterson,* 98 U. S., 403, 408, that the value of property taken under the power of eminent domain must be estimated in the light of the relevant facts and circumstances *existing* at the time the property was taken. *United States* vs. *Chandler-Dunbar Co.,* 229 U. S., 53, 76; *Guste* vs. *United States,* 55 F. (2d), 115, 116, C. C. A., 5; *Laflin* vs. *Chicago, W., etc., R. Co.,* 33 Fed., 415.

The attention of the Court is directed to the large number of cases holding that the market value of property at one time has no tendency to prove the market value of the same property at another time. These cases are pertinent here because the fact that the Isom invention was used commercially in the years following the alleged breach of contract tends to prove only its value in those later years.

In *Pabst Brewing Co.* vs. *E. Clemens Horst Co.,* 229 Fed., 913 (C. C. A., 9), the Court said:

> "It must be self-evident that a sale of hops made on July 9th is no evidence whatever of market value six or eight months previously, especially in view of the testimony on the part of the Horst Company that the price of hops declined rapidly after November 4th, the date of the cancellation of the contract." (p. 919).

In *Mandelbaum* vs. *Goodyear,* 6 F. (2d), 818, 824, evidence was offered in the trial Court of the financial condition of the company in October, 1920, to show the falsity of statements as to the financial condition of the Company in April, 1920, some six months prior. This evidence was excluded by the trial Court and its exclusion approved by the Court of Appeals for the Eighth Circuit as furnishing no safe guide for the jury in determining the condition of the company at the earlier date.

In that case also the trial court refused to admit quotations of Goodyear stock for a period from December 11, 1920 to October 31, 1921, as furnishing no index of the value of that stock at the time plaintiff purchased it in July, 1920, and this ruling was also approved by the Court of Appeals for the Eighth Circuit.

In *Pitman* vs. *Ball,* 140 Mo. App., 389, 124 S. W., 1082, it was held that the actual value of a mining lease was not shown by evidence of what a subsequent lease on the same tract brought on a sale four or five years later. The evidence offered was objected to on the ground that the time was too remote from the time of the organization of the corporation, and had no tendency to show the actual value of the property at the time the corporation was organized. The objection was sustained by the trial Court, and affirmed by the Court of Appeals.

In *State* vs. *Buckley,* 98 Wash., 379, 167 Pac., 1087, the Supreme Court of Washington held that a government price list of supplies issued in 1913 was not proper evidence of the value of supplies furnished prior to that time.

In *Burgin* vs. *Marx,* 158 Ala., 633, 48 So., 348, it was held by the Supreme Court of Alabama that the value of property at the time of seizure, which the plaintiff was entitled to recover, could not be shown by evidence of efforts to sell the property several months after the seizure, and the evidence was held inadmissible.

In *Myers* vs. *Bender,* 46 Mont., 497, 129 Pac., 330, it was held by the Supreme Court of Montana that it was error for the trial Court to admit evidence to show the value of land at a date subsequent to the date of the breach of contract.

In *People* vs. *Barker,* 121 App. Div., 661, 106 N. Y. S., 336, affirmed 200 N. Y., 509, 93 N. E., 378, it was held that actual results of a lease ascertained years after the date of the lease were not competent evidence of the value of the lease at its date. The Court said:

> "* * * nor do I think the actual results ascertained years after this date were competent evidence as to the value of the property on the second Monday of January, 1897. The question had to be determined as to the actual value of the interest of the lessee company in these leases at that date, and whether the value was greater or less several years afterwards has no relation as to the value of the leases at the date at which it was to be ascertained and assessed against this realtor."

In *Bowden* vs. *Achor,* 95 Ga., 243, 22 S. E., 254, action was brought to set aside a deed on the ground of inadequacy of the purchase price. It was held that evidence of the value of the land at the time of the trial, which occurred years later, was irrelevant.

In *Sequin* vs. *Plano,* 295 Pac., 179 (1931), the Supreme Court of Washington said in discussing the evidence of value of a mining lease:

> "The actual value of a mining lease is not shown by evidence of what a subsequent lease of the same tract brought at a sale four or five years later."

COURT OF APPEALS OPINION.

One further point in this connection merits consideration, namely, the statement of the Court of Appeals that

evidence of events long after the date of breach is admissible because

> "It is analogous to evidence of successful commercial use of a patent on the question of invention, and of the actual results of a physical injury for which damages are sought" (R., 85).

The fact is that there is no analogy at all and the reasons why there is no analogy go to the crux of this whole matter.

In a suit for patent infringement, the defendant often challenges the validity of the patent on the ground that the act of the patentee was not an act of invention. Defendant may assert that the patentee's act was within the expected skill of a worker in the art or that it was a retrogression from what already existed.

Thus, the issue presented is one of determining in what class the patentee's act belongs, *viz.*, that of an invention, or that of ordinary skill, or that of retrogression. Any facts, regardless of the time of their occurrence, having a direct bearing upon this issue of the class in which the patentee's act belongs would be helpful in determining that issue and therefore would be admissible. And this Court and many others have frequently held that the extent of use of the patentee's achievement and the extent to which it turned the common practice of the art do bear directly upon this issue and are therefore worthy of consideration even though they are not infallible guides.

But the market value of an invention, or a patent, or a mining prospect, or anything of the sort at a particular instant of time is a wholly different thing. It involves what the public at that instant of time thought was its value, and the amount at which it would have been bought and sold at that time. In that respect, an invention or a patent or a mining prospect is no different from a ton of steel or a bale of cotton or other

property which has different market values at different times.

In determining the class of the patentee's act, evidence of later events is admissible because those later occurrences do not tend to make a change in the class in which the patentee's act belonged from its inception and because they do serve to show what that class is. But the situation is just the reverse with respect to market value as of a certain date; occurrences of later date do effect changes of market value and they afford no index of the value prior to those occurrences.

Similarly, in personal injury cases, evidence of the actual results of the physical injury is admissible for the reason that the question to be determined is the *actual* nature, extent, and probable effect of the injury, and not what was *thought* to be the nature, extent, and probable effect at the time the injury was suffered. But where the inquiry is the market value of property at any particular time, the only question to be determined is what the public thought was its value at that time, and facts not then in existence cannot be considered for the simple reason that they could not have influenced the thought of the public on that question.

We submit, therefore, that the damages recoverable in the action at law must be measured by the market value of the Isom invention and application at the date when the alleged breach occurred; that the alleged breach occurred on September 10, 1917; that the evidence sought is of occurrences of the ten years after November, 1919, and therefore has no tendency to prove the market value of the invention and application at the date of breach; and that the bill for discovery should be dismissed on the ground that the evidence sought is not relevant to the matter in support of which it is desired.

II.

THE EVIDENCE SOUGHT TO BE DISCOVERED, IF RELEVANT, CAN BE OBTAINED IN A PRACTICALLY USEFUL WAY WITHOUT INVOKING THE ASSISTANCE OF A COURT OF EQUITY.

The chief reason for bills of discovery in aid of an action at law in Federal Courts disappeared when the disability of parties as witnesses was removed and statutory authority was given to require books and records in possession of party, and containing pertinent evidence, to be produced at the trial of an action at law. Revised Statutes, Secs. 858, 724 (28 U. S. Code, Secs. 631, 636). But it must be taken as settled by the decision of this Court in *Carpenter* vs. *Winn,* 221 U. S., 533, 539, that jurisdiction to grant discovery in aid of an action at law may still be exercised by Federal Courts in proper cases.

It is equally well settled that a bill for discovery in aid of an action at law will not be entertained if the evidence sought to be discovered can be obtained in a practically useful way by resort to the ordinary processes available at law. Discovery, like any other equitable remedy, is exceptional and the plaintiff must show that he needs more than is obtainable by modern statutory procedure. If, by using *subpoenae* and *subpoenae duces tecum* and by giving notice to produce books and records at the trial, a party can secure all that he may need, the bill will not lie. *United States* vs. *Bitter Root Development Co.,* 200 U. S., 451, 475, 479; Ex parte *Boyd,* 105 U. S., 647, 657; *Brown* vs. *Swann,* 10 Pet., 497, 501; *Durant* vs. *Goss,* 12 F. (2d), 682, 683, C. C. A., 6; *Galion Iron Works Co.* vs. *Ohio Corrugated Culvert Co.,* 244 Fed., 427, 429, C. C. A., 6; *Pressed Steel Car Co.* vs. *Union Pacific R. Co.,* 240 Fed., 135, 136, D. C., S. D., N. Y.; *Safford* vs. *Ensign Mfg. Co.,* 120 Fed., 480, C. C. A., 4.

The Court below expressly recognized that this is so, using the following language (R., 82, 62 F. [2d], 663, 664):

> "It devolves upon the party filing such a bill to show that there is real need of it, and that the desired evidence cannot be obtained in a practically useful way under Section 724."

The question presented, therefore, is whether the allegations of respondent's bill show a cause of such character that the plaintiff cannot adequately present its case without invoking the assistance of a Court of Equity.

The only evidence which the Court of Appeals held could be discovered in advance of trial of the action at law relates to the fact that Sinclair Company used Isom stills in the commercial production of gasoline and other petroleum products. There are no allegations in the bill showing that examination of such evidence in advance of trial is necessary or that it is not readily obtainable by resort to the means available at law.

The allegations of the bill with respect to such evidence amount to no more than an assertion of the bare conclusion that complainant cannot prove its damages without discovery in advance of trial (R., 4, 5), and, regarded alone, would not justify granting the relief asked.

Nor is there anything in the nature or character of the evidence held to be discoverable in advance of trial, when considered in connection with the purpose for which it is desired, to show that discovery in advance of trial is necessary to render it available and useful to respondent. This was pointed out very clearly in the dissenting opinion in the Court below. Discussing this point, Judge Wilson said (R., 89, 90; 62 F. [2d], 663, 667):

> "Certainly the power of the plaintiff to summon as witnesses the officers or employees of the defend-

ant having knowledge of the number of cracking stills operated by the defendant, with all plans and blueprints of the same, would give the plaintiff all the evidence held in the opinion to be admissible in this case, and required for opinion evidence as to the value of the application for a patent, or of the patent itself. Inasmuch as the plaintiff in this case cannot recover damages on the basis of royalties or profits gained by the use of the patent in issue, the need for preliminary examination of evidence admissible under the opinion of the court is not clear. At least, it does not appear that this is an 'exceptional case' where justice cannot be attained under an action for breach of contract by invoking section 724, or the right of the plaintiff to summon the officers and employees of the defendant as witnesses. United States vs. Bitter Root Development Co., 200 U. S., 451, 475, 479, 26 S. Ct., 318, 50 L. Ed., 550.

Surely the officers managing the affairs of the plaintiff corporation, and especially Ulysses Jenkins, who acted in an advisory capacity throughout the operation of the experimental still loaned to the defendant by the plaintiff corporation, which is engaged in the same kind of business as that of the defendant, must have knowledge of the nature of the Isom improvements from their expert knowledge of the oil cracking processes and from the application for the patent, and the patent itself, which are a part of the declaration in the action at law, and of the advance in the prior art, which was thereby made. Neither the extent of the use by the defendant nor the profits gained from the use of the improvements, it is held in the opinion, are admissible on the question of damages. The opinion also holds that the plaintiff is only entitled to show general facts about the Isom patent, not specific instances of its use. I think with its power to summon the patentee, Edward Isom, and any other officer or employee of the defendant, and to compel the production of any plans or blueprints

> or books of the defendant under section 724, R. S., the plaintiff can prove its damages if it can show a breach of its contract. The burden is not on the defendant to satisfy the court that discovery 'ought not to be ordered,' but on the plaintiff clearly to show that it ought to be invoked. I think the plaintiff has failed to sustain that burden in this case."

The bill does allege, with respect to the number of barrels of gasoline produced by Sinclair Company using Isom stills and the amount of oil charged into them, that it would be impossible for respondent to make the necessary examination of the numerous entries relating thereto if production of the pertinent books and records at the trial were compelled by subpoena duces tecum (R., 5). But the Court of Appeals held that discovery of this evidence could not be ordered in advance of trial for the reason that it is not relevant to any question now in the case. With respect to this evidence, the Court of Appeals directed that the bill for discovery should be retained so that discovery could be ordered at the trial if a question to which the evidence would be relevant should arise in the course of the trial.

Not only is retention of the bill for that purpose without precedent, as pointed out by Judge Wilson in the last paragraph of his dissenting opinion, (R., 90) *but it has no foundation in necessity.* Officers and employees of Sinclair Company may be summoned as witnesses at the trial, and under the express provisions of Section 724, Revised Statutes (28 U. S. Code, Sec. 636), production at the trial of books and records in possession of a party, which contain pertinent evidence, may be compelled "in cases and under circumstances where they might be compelled to produce the same by the ordinary rules of proceeding in chancery."

The considerations that moved the Court below to conclude that the allegations of respondent's bill, considered in connection with the nature and character of

the evidence sought to be discovered, and its purpose, sufficiently show that there is "real need" of the institution of a separate proceeding in equity for discovery, and that the desired evidence cannot otherwise be obtained "in a practically useful way," are not disclosed in the majority opinion. But since the evidence held to be discoverable in advance of trial—whether Sinclair Company used Isom stills in the commercial production of gasoline and other petroleum products—requires no preliminary sifting out or examination before trial, and since all the evidence desired, including the evidence held to be discoverable only in the event some question not now existing should arise at the trial, is readily obtainable at the trial by resort to the methods available at law, the Court must be understood as holding that these facts do not establish that respondent has an adequate remedy at law.

Such a holding is in direct conflict with the decision of the Court of Appeals of the Seventh Circuit in *Bradford* vs. *Indiana Harbor Belt R. Co.*, 300 Fed., 78, and with the *dicta* in *Ex parte Boyd*, 105 U. S., 647, 657; *Brown* vs. *Swann*, 10 Peters, 497, 501; and *United States* vs. *Bitter Root Development Co.*, 200 U. S., 451, 475, 478.

In *Bradford* vs. *Indiana Harbor Belt R. Co., supra*, a decree of the District Court dismissing on motion a bill in equity for discovery in aid of an action at law was affirmed. The action at law was for damages sustained as the result of the operation of cars and locomotives over tracks and land belonging to plaintiff. The bill for discovery alleged that the extent defendant used the property and the amount it charged and received therefor was a material issue in the action at law, that defendant kept books and had papers and documents showing those facts, and that plaintiff had no means of ascertaining those facts except through answers to the interrogatories appended to the bill. The decree affirming dismissal of the bill was based, in part, upon the

ground that "If the ascertainment of these facts is simple, and does not involve complex and voluminous accounts, it may well be that the ordinary processes will be sufficient for appellant, and that the extraordinary relief by discovery in equity was entirely unnecessary and properly denied," and that, in any event, "it is not to be presumed that the District Court would deprive him of reasonable opportunity to examine them before the trial was concluded" if defendant required production at the trial of the books and papers showing the facts by notice given under Section 724 of the Revised Statutes.

In *Brown* vs. *Swann*, 10 Pet., 497, speaking of bills for discovery in aid of an action at law, this Court said (p. 501):

> "* * * The jurisdiction of a court of equity, in this regard, rests upon the inability of the courts of common law to obtain, or to compel such testimony to be given. It has no other foundation; and whenever a discovery of this kind is sought in equity, if it shall appear that the same facts could be obtained by the process of the courts of common law, it is an abuse of the powers of chancery to interfere."

In *Ex parte Boyd*, 105 U. S., 647, it was said of bills for discovery in aid of an action at law (p. 657):

> "Now, it is of the essence of the jurisdiction of courts of equity, in bills of discovery merely, that it is in aid of the legal right; and it is a fundamental rule, prescribed for the exercise of that jurisdiction, in the words of Story (Eq. Jur., Sect. 1495), that 'courts of equity will not entertain a bill for discovery to assist a suit in another court, if the latter is, of itself, competent to grant the same relief; for in such a case the proper exercise of the jurisdiction should be left to the functionaries of the

court where the suit is depending.' It follows, then, that although at one time courts of equity would entertain bills of discovery, in aid of executions at law, because courts of law were not armed with adequate powers to execute their own process, yet the moment those powers were sufficiently enlarged, by competent authority, to accomplish the same beneficial result, the jurisdiction in equity, if it did not cease as unwarranted, would, at least, become inoperative and obsolete. A bill in equity to compel disclosures from a plaintiff or a defendant, of matters of fact peculiarly within his knowledge, essential to the maintenance of the legal rights of either in a pending suit at law, would scarcely be resorted to, unless under special circumstances, now, when parties are competent witnesses, and can be compelled to answer, under oath, all relevant interrogatories properly exhibited; nor to compel the production of books, deeds, or other documents, important as instruments of evidence, when the court of law, in which the suit is pending, is authorized by summary proceedings to enforce the same right."

It is submitted that the evidence sought to be discovered, if relevant, can be obtained in a practically useful way without invoking the assistance of a Court of Equity; that the bill cannot be sustained for the reason that respondent has a plain, adequate and complete remedy at law (Revised Statutes, Sec. 723, 28 U. S. Code, Sec. 384); and that the Court below erred in holding that the allegations of the bill warrant the discovery directed to be given in advance of trial and retention of the bill to permit further discovery at the trial of the action at law.

III.

A BILL FOR DISCOVERY IN AID OF AN ACTION AT LAW CANNOT BE MAINTAINED TO OBTAIN IN ADVANCE OF TRIAL EVIDENCE RELATING SOLELY TO THE AMOUNT OF DAMAGES RECOVERABLE.

The evidence respondent seeks to discover relates solely to the amount of damages plaintiff may recover in the event the liability of defendant is established in the action at law (Statement of Facts, *supra,* pp. 5-6).

The District Court, on the authority of *Munger* vs. *Firestone Tire & Rubber Co.,* 261 Fed., 921, C. C. A., 2 (*certiorari denied,* 252 U. S., 582) and *Loose* vs. *Bellows Falls Pulp Plaster Co.,* 266 Fed., 81, C. C. A., 2, held that the bill could not be maintained because the evidence sought to be discovered relates only to the amount of damages (R., 37, 38; 56 F. [2d], 272, at p. 275).

In *Munger* vs. *Firestone Tire & Rubber Co., supra,* the Court of Appeals for the Second Circuit affirmed a decree of the District Court for the Southern District of New York dismissing a bill of discovery in aid of an action at law for infringement of an expired patent. The bill prayed that defendants might be required to state the quantity of the alleged infringing devices sold during the existence of the patent and within six years prior to the institution of the action at law; the names of the purchasers and the selling price; to produce all books, invoices, records, vouchers, agreements, correspondence, papers, documents and other data relating thereto; and to state the gains, profits, savings, and advantages which had accrued to defendants in the premises. The remarks of the District Judge (Judge Augustus N. Hand) stating his reasons for dismissing the bill are set forth in the opinion of the Court of Appeals, as follows (p. 921):

" 'I do not think it can be said in advance of trial that the information which is sought upon this bill for discovery will not be proper matter for the consideration of the jury. I can see no sufficient reason, however, at this time to sustain the bill for discovery. There is nothing in this case which makes such a remedy peculiarly necessary. All the facts which can be elicited by a bill for discovery can be presented at the trial upon a subpoena duces tecum. Before it is possible to determine whether there has been any infringement or not, I am asked to allow an examination into the defendant's books and private affairs. This is something which should not be imposed upon the defendant, if any other reasonable mode of eliciting the desired evidence is possible. It cannot, I think, be determined, until the rest of the plaintiff's case is heard, whether he should be allowed to offer evidence of the defendant's profits. Certainly he must establish first a *prima facie* case of infringement.' "

The Court of Appeals, although finding that the evidence asked for would be "admissible to assist the jury in determining what will be a reasonable royalty, if they find the patent valid and infringed" (p. 922) held that equity does not grant discovery in advance of trial of evidence relating solely to the amount of damages recoverable in an action at law, and decided that the dismissal of the bill was proper.

In reaching that conclusion, the Court of Appeals for the Second Circuit was moved by a belief that the precedents show that the discovery equity grants in advance of trial of an action at law is limited to information tending to prove the issues in the case which plaintiff must establish to prevail and does not extend to information tending to prove elements of plaintiff's case that are subordinate or consequential to or dependent upon the establishment of liability, such as the extent of relief. It was also moved by a conviction that to allow

discovery of information relating solely to consequential matters would introduce a dangerous practice capable of great abuse. The views of the Court on these points are stated in the opinion as follows (p. 923):

> "In other words, equity grants discovery in aid of a plaintiff's right or cause of action or in aid of a defendant's defense. These are defined by the issues of the case; whereas the amount of damages is never at issue. If the plaintiff prevail upon the issues upon his cause of action, he will be entitled to nominal damages, though he prove no damage at all, and of course, if a defendant prevail upon the issues as to his defenses, no damages will be recoverable. The amount of damages is not an issue, but follows the determination of the issues in the case, and discovery is granted only in aid of the issues."
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> "A contrary conclusion would introduce a dangerous practice. All the patentee would have to do in order to completely ventilate a competitor's business would be to bring an action at law for infringement and then apply to a court of equity for discovery in aid of it."

In *Loose* vs. *Bellows Falls Pulp Plaster Co.*, 266 Fed., 81, the same Court of Appeals expressly followed the *Munger* case in holding that a bill for discovery would not lie to require a licensee under a patent license agreement to disclose the quantity of licensed material made and sold by it.

In the instant case, the majority of the Court of Appeals held that discovery in advance of trial may be granted even though the information sought bears only on the amount of damages and not upon questions of liability. In so deciding, it was expressly recognized that the decisions of the Court of Appeals for the Second Circuit in the *Munger* case and the *Loose* case are

decisions to the contrary. Judge Morton, in the majority opinion said (R., 83, 62 F. [2d], 663, at p. 664):

> "The next point is whether such bills may be brought to obtain evidence relevant only on the amount of damages. In *Munger* vs. *Firestone Co.*, 261 Fed., 921 (C. C. A., 2), and *Loose* vs. *Bellows Falls Pulp Plaster Co.*, 266 Fed., 81 (C. C. A., 2), it was decided that bills for discovery could be used only to obtain facts bearing on the 'issues,' i. e., on questions of liability, and not to obtain evidence of damage. The opposite result was reached in *Guyot* vs. *Hilton* (C. C.), 32 F., 743, cited with approval in *Carpenter* vs. *Winn, supra,* and in *Colgate* vs. *Compagnie Francaise du Telegraphe de Paris a N. Y., supra,* where apparently no such distinction between liability and damages was suggested."

Judge Wilson, in his dissenting opinion, said (R., 87, 62 F. [2d], 663, at p. 666):

> "The only cases in which the issue of whether a bill of discovery was proper to obtain evidence solely on the question of damages was clearly before the court are: *Munger* vs. *Firestone Tire & Rubber Co.*, 261 F., 921, and *Loose, et al.,* vs. *Bellows Falls Pulp Plaster Co., et al.,* 266 F., 81. In each of these cases the Circuit Court of Appeals for the Second Circuit refused to sustain such a bill, and in the Munger case a writ of certiorari was denied by the Supreme Court, 252 U. S., 582."

The Court below rejected the doctrine of the *Munger* case on the ground that, although equity will not grant discovery of information relating solely to damages where the consequential question of damages can be postponed until the issues affecting liability are determined, the weight of authority in this country and in England supports the view that discovery will be granted in ad-

vance of trial in cases where plaintiff will be compelled to present all his evidence, both on liability and damages, at the same time.

The assertion in the opinion of the Court below that a result opposite to that in the *Munger* case was reached in *Guyot* vs. *Hilton*, 32 Fed., 743, and in *Colgate* vs. *Compagnie Francaise*, 23 Fed., 82, is not borne out by examination of those decisions.

In *Guyot* vs. *Hilton, supra*, a motion under Section 724, Revised Statutes, to require production of books and records in advance of trial was denied on the ground that the statute authorized an order to produce only at the trial. The Court indicated that the proper practice to secure inspection in advance of trial was to bring a bill for discovery. There is nothing in the case to indicate that discovery would be granted or that the information sought related wholly or even in part to the question of damages.

In *Colgate* vs. *Compagnie Francaise, supra*, the bill assigned as grounds for discovery that the evidence was needed to establish infringement of the patent in suit and the amount of damages recoverable therefor. Discovery was granted, not on the ground that the plaintiff was entitled to discovery as to damages, but upon the ground that the plaintiff might otherwise be unable to prove the fact of infringement. Discussing the necessity for discovery, the Court said (p. 85):

> "The case made by the present bill is one where, if the defendant has appropriated the complainant's invention, it would be obviously difficult, if not impossible, to prove the fact unless an inspection were granted."

The Court below cited *McKinnon-Young Co.* vs. *Stockton*, 55 Fla., 708; *Wells* vs. *Holman*, 115 S. Car., 443, 106 S. E., 224, and *Sherwood Bros., Inc.*, vs. *Yellow Cab Co.*,

283 Pa., 488, 129 Atl., 563, in support of its assertion that the weight of authority as shown by state Court decisions supports its view rather than the doctrine of the *Munger* case.

In *Wells* vs. *Holman, supra,* decided under the authority of Sec. 427 of the South Carolina Code, production of defendant's books was ordered to enable plaintiff to ascertain the net profits made from certain farming operations which plaintiff was entitled to under a contract. The contract and plaintiff's right to the profits made were admitted and the only question in the case was the amount of the profits.

In *Sherwood Bros., Inc.,* vs. *Yellow Cab Co., supra,* decided under the authority of Pa. St., 1920, Sec. 4563, discovery of the extent of defendant's fuel purchases outside of Philadelphia was allowed in aid of an action at law for damages for breach of a contract to buy all the motor fuel defendant required in its business in Philadelphia. The distinction between liability and damages which controlled the decision in the *Munger* case was not raised or discussed.

McKinnon-Young Co. vs. *Stockton, supra,* was a proceeding by receivers in the nature of contempt proceedings for trespass on land. Plaintiff asked discovery of the amount of turpentine and other naval stores taken from the land. Discovery was allowed, and the Court ruled that the injury done the property might be determined before the liability of the defendant was established.

The Court of Appeals, in discussing the English authorities, referred to the case of *Saunders* vs. *Jones* (1877), L. R., 7 Ch., 435 and stated that it "fully covered" the present case. *Saunders* vs. *Jones* involved the propriety of interrogatories designed to elicit the total amount of sales made by defendant during the period for which plaintiff claimed remuneration in an action for wrongful dismissal from his position as manager of

defendant's business. Defendant was ordered to answer the interrogatories.

This decision, however, cannot be taken as fully covering the present case, for in *Schreiber* vs. *Heymann*, 63 L. J. Q. B., 749 (1894), it was decided that a Court will not, in advance of trial, order the production of documents which would merely assist the plaintiff to establish his damages in an action at law for wrongful dismissal as defendant's sole agent, where the documents did not bear on the question of defendant's liability. In deciding the case, Pollock, B., said:

> "If an inspection of the books had been calculated to assist the plaintiff in establishing agency as well as in ascertaining the amount of damages, I think that upon that ground it is possible that discovery might have been granted. In this case, however, there does not seem to be any dispute upon the question of agency, and I think therefore that the appeal must be allowed."

The distinction drawn, it will be noted, is precisely that held to be controlling by the Court of Appeals for the Second Circuit in the *Munger* case.

The Court below also cited passages from textbooks suggesting that while discovery of information bearing only on damages should not be granted in advance of trial where the questions of liability and damages are severable, the rule ought to be otherwise where both questions will come on for trial simultaneously. Adopting this suggestion, the Court below said:

> "We think this much the sounder view. Damages are an important element in litigation; they are the reason why an action is brought. *There is no good reason why discovery should not be ordered as to damages, except that if the defendant wins on liability the evidence on damages will go for noth-*

ing. This is always true of evidence of damages in actions at law; it always goes for nothing if the defendant prevails. *But this has never been thought a sufficient reason for splitting a jury trial;* and it does not seem to us a sufficient reason for refusing discovery" (R., 84). (Emphasis ours.)

It is true that evidence of damages always goes for nothing in actions at law where the defendant wins on liability. This is bad enough, but it is not the reason urged against granting discovery in advance of trial of information relating solely to damages. The objection is that such discovery would enable one who has no evidence to support a case, or one who has no intention to present a case, to completely ventilate a defendant's business affairs simply by bringing an action at law and then applying to a court of equity for discovery in aid of his claim of damages. Speaking of the danger of this unfair and oppressive result, the Court of Appeals for the Second Circuit said:

> "A contrary conclusion would introduce a dangerous practice. All a patentee would have to do in order to completely ventilate a competitor's business would be to bring an action at law and then apply to a court of equity for discovery in aid of it."

The same matter is discussed in "*Principles and Practice of Discovery*" by Bray. In the chapter on consequential discovery, the author says:

> "It is obvious that in some cases it might be extremely prejudicial to a defendant if he were compelled to give discovery of this nature before the determination of the preliminary issue or matter in question. If a denial of the party's interest by his opponent were not effectual to stay necessity of giving consequential discovery, the party might get discovery of all the particulars of any transac-

> tion however secret and important with which he had no manner of concern merely by introducing into his pleadings the false allegation that he had an interest therein: *Mendizabel* vs. *Machado*, 1 Sim., page 78: and see *Smith* vs. *Beaufort*, 1 Ha., page 523: and *ante*, page 14, and *post*, pages 256-257. It would be a monstrous thing that a man by merely alleging that he had a share in the concern, which allegation has been denied and has not been established, and whilst it was doubtful whether it could be established, could get the accounts of a defendant's private business and of his dealings with other people: James, L. J., in *G. W. C. Co.* vs. *Tucker*, L. R., 9 Ch., page 378."

The safe and fair way to render available to a plaintiff evidence in possession of defendant relating solely to damage and at the same time protect the defendant against unnecessary disclosure of his business affairs was pointed out by the Court of Appeals for the Second Circuit in *Munger* vs. *Firestone Tire & Rubber Co.*, 261 Fed., 921, and by the Court of Appeals for the Seventh Circuit in *Bradford* vs. *Indiana Harbor Belt R. Co.*, 300 Fed., 78. In the *Munger* case, the Court said (p. 923):

> "The trial Judge will have to determine when he shall have made out a sufficient case to justify an examination of the defendant's books, papers, etc."

In *Bradford* vs. *Indiana Harbor Belt R. Co.*, answering the contention that plaintiff would not have time to make a proper examination of the desired evidence if the question whether he was entitled to have them was postponed until he had made out a sufficient case at the trial to justify his right of examination, the Court said (p. 81):

> "it is not to be presumed that the district court would deprive him of reasonable opportunity to examine them before the trial was concluded."

The propriety and justice of safeguarding defendants against premature disclosure of their affairs is recognized by the Courts in administering the remedy provided by Section 724 of the Revised Statutes. Under that statute, while the application for an order to produce the desired books and papers may be made on notice before trial, Courts do not require their production for inspection by the plaintiff until such time after the trial begins as the Court shall be able to determine the necessity for the evidence. *Planters' Oil Mill & Gin Co.* vs. *A. K. Burrow Co.*, 18 F. (2d), 107, D. C., E. D., Mississippi; *Iasigi* vs. *Brown*, 1 Curt. C. C., 401, F. Cas. No. 6,993 (quoted with approval in *Carpenter* vs. *Winn*, 221 U. S., 533, 544, 545).

We submit that the doctrine of the *Munger* case, limiting the right to discovery in advance of trial to evidence relating to questions of liability, is supported by long established chancery practice and operates to secure defendants against unwarranted intrusions into their business affairs without depriving plaintiffs of any right or opportunity to prove damages by means of evidence which is admissible and which is exclusively within the knowledge or possession of defendants.

CONCLUSION.

We venture to suggest that the decision of the Court of Appeals, which we believe to be erroneous, and much of the discussion which may have had some part in leading the Court to that decision, developed from thinking of the pending action at law as either *sui generis*, or as something akin to a suit for patent infringement, involving legal conceptions peculiar to inventions, patent applications and patents.

The pending action at law should, we submit, be recognized for what it is, namely, an action for breach of contract for failure to deliver certain specified property.

As such it should be governed by the fundamental rules which from the earliest dates have governed such actions. The fact that the property happens to be an unpatented invention and patent application should not change the fundamental rules governing such actions.

One of these fundamental rules is that the damages recoverable for breach of a contract to deliver property are represented by the market value of the property at the date when delivery should have been made. Had the property been delivered as required, that is, had there been performance instead of breach, the recipient of the property could have sold it the next day, in which case he would have received only its market value at that date. He is not to profit from the breach but is only entitled to be reimbursed, and thereby to be put in as good a position as if there had been performance instead of breach.

Application in this case of the basic principle of contract law referred to is determinative of this controversy. Once it is decided that the plaintiff in the suit at law can recover only the value the undelivered property had on the date when it was not but should have been delivered, it follows that the requested discovery must be denied, for discovery is asked only of events of many years subsequent to that critical date.

On the other hand, if a new rule be adopted, that the value of the undelivered property may be fixed by reference to its history through the succeeding years, a host of new possibilities is presented. What of the mining prospect which had a considerable market value at the date when delivery was due, so that if delivered it could have been sold for a large sum, but which later events showed contained only fool's gold and was salable only as farm land? And what of the invention which went into extended commercial use for some years after the delivery date and then was shown to be valueless by

being superseded by another invention which had been available all the time and was not used only because its superior value was not appreciated?

And what of this plaintiff, which first brought its suit for the remedy of specific performance to which it was not entitled? Is it to be allowed to profit by the mistake it made? Had plaintiff originally in 1921 brought its suit at law for breach of contract, instead of in equity for specific performance, as the Court of Appeals has since said it should, this controversy would have been determined long prior to most of the uses of the Isom stills about which plaintiff now wants discovery. Is plaintiff to have the benefit of the facts about the use of the stills to raise the value of the property alleged to have been withheld, as a reward for having sued originally for relief to which it was not entitled, with the result that it only got started on its present course some twelve years after beginning this litigation?

We trust that the Court will reaffirm by an authoritative ruling in this case the ancient and established rule that damages for failure to deliver property are measured by the market value of the property at the date on which delivery should have been made, and that events subsequent to that date have no bearing on that value however much they may bear on the value at other times. In that event, the requested discovery would have to be denied.

But the record before the Court presents two other issues of a degree of importance which makes determination of them most desirable.

As to the date of the alleged breach, the Courts before which this case has come have differed, and the finality of this Court's decision is sought for guidance in the further conduct of this litigation; also, this Court's decision on this point is highly desirable because of its bearing upon the rights of employers and employees gen-

erally in connection with inventions and applications for patents. We submit that the date of the breach should be fixed as the time when the Isom application first had existence and was capable of assignment.

As to discovery in advance of trial of evidence relating solely to damages, we submit that the sound rule is that a defendant should not be required to produce evidence regarding its business affairs on the mere assertion by plaintiff in its pleading, denied by defendant in its answer, that it has a cause of action; but that such disclosure should be required only at the trial after the plaintiff in the orderly presentation of its case has established, *prima facie*, a right to relief.

Respectfully submitted,

DEAN S. EDMONDS,
FRANK E. BARROWS,
CHARLES W. RILEY,
Counsel for Petitioner.

APPENDIX.

"Chicago, Illinois,
October 2nd, 1916.

Cudahy Refining Company,
Chicago, Illinois.

Gentlemen:

Pursuant to our conversations and conferences relative to the Jenkins Process of treating petroleum, it is understood that we are to loan you our experimental still to be shipped to Coffeyville, Kansas, so that your experts and engineers may have apparatus immediately available upon which to carry out experiments upon the Jenkins improved process upon your petroleum products.

It is further understood that Mr. Ulysses S. Jenkins, of Chicago, will go to Coffeyville, Kansas, to install the still and will remain in an advisory capacity throughout the entire course of experimental work carried on by your experts, Mr. Jenkins' salary being $150.00 per month, and all expenses, including railroad expenses incurred by him in making trips to Chicago, rendered necessary by said experimental work, this to be paid by you.

It is further definitely understood and agreed between us that any improvements, whether of a mechanical nature, or in the process, which may be developed as the result of the work of your engineers and experts in familiarizing themselves with the Jenkins apparatus and process, shall accrue to the Jenkins Petroleum Process Company, and that you shall, so far as you are able to do, cause your employees carrying on such experimental work to execute applications for patents for the United States and any other countries to protect any such improvements, but at the expense of the Jenkins Petroleum Process Company, and to assign said applications, together with the improvements they are in-

tended to protect, to the Jenkins Petroleum Process Company. This provision is of course rendered necessary by the fact that in the development of a process of this character, and particularly in its application to particular oils, many short cuts and improvements necessarily are developed by the experts entrusted with the carrying out of the process, which belong by right to their employer, and under the circumstances here involved, of course, to the Jenkins Petroleum Process Company, inasmuch as they are loaning you not only their experimental still, but also the services of Mr. Jenkins, the inventor himself.

It is further understood that all expenses in connection with the transportation of the still and incidental expenses shall be paid by you, and that as soon as your engineers and experts have carried on sufficient work with this still to thoroughly familiarize themselves with the process and discover the best conditions under which to apply the process to your petroleum products, the still will be returned in good condition to us, and that Mr. Jenkins' salary will continue from the time the still is first shipped to Coffeyville, until such time as it is returned.

Yours very truly,

JENKINS PETROLEUM PROCESS COMPANY,
By A. G. Maguire,
President.

This letter and agreement accepted
and approved.

CUDAHY REFINING COMPANY,
By W. H. Isom, Pres."

SINCLAIR REFINING COMPANY, *Petitioner,*

vs.

JENKINS PETROLEUM PROCESS COMPANY, *Respondent.*

No. 752.

ADDENDA TO BRIEF FOR PETITIONER.

Effect of Denial of Specific Performance.

Denial of specific performance of a contract to transfer or deliver property precludes recovery of profits made from the use of the property, because recovery of profits can only proceed upon the ground that plaintiff is at least the equitable owner of the property. *Kennedy v. Hazelton,* 128 U. S. 667, 672.

Denial of specific performance limits recovery in a subsequent action at law for breach of the contract to the value of the property at the time when it ought to have been conveyed, and precludes recovery for gains or profits prevented by the withholding of the property. *Terry v. Michalek,* 319 Mo. 219, 3 S. W. (2d.) 701; *Combs v. Scott,* 76 Wis. 662; *Crane v. Miller,* 240 Mich. 357; *Livesley v. Johnston,* 48 Ore. 40; *Dustin v. Newcomer,* 8 Ohio 49; *Cummings v. Roth,* 10 Cal. App. 144, 101 Pac. 434; *Grosso v. Sporer,* 123 Misc. N. Y.) 796, 206 N. Y. Supp. 227.

Subsequent Events as Evidence of Value.

The value of property at any given time cannot be shown by facts and circumstances occurring subsequently. *Ithaca Trust Co. v. United States,* 279 U. S. 151. In this case Mr. Justice Holmes said (p. 155):

> "But the value of property at a given time depends upon the relative intensity of the social desire for it at that time, expressed in the money that it would bring in the market. * * * Like all values, as the word is used by the law, it depends largely on more or less certain prophecies of the future; and the value is no less real at that time if later the prophecy turns out false than when it comes out true. * * * Tempting as it is to correct uncertain probabilities by the now certain fact, we are of opinion that it cannot be done, * * *"